FINANCIAL TIMES

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Explaining an annus horribilis
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World Business Newspaper — THURSDAY JUNE 20 1996

KVÆRNER v VAI

It could turn into one of the largest industrial espionage cases seen in Europe. Kvaerner, the Norwegian engineering and shipbuilding group, has launched a multi-million dollar lawsuit against VAI of Austria over the alleged theft of thousands of documents from one of its UK subsidiaries. And yesterday, following a four week private investigation, the company issued writs against its rival's chief executive.

Page 15

Court setback for Malaysia's $5.5bn Bakun dam project

A Malaysian court ruled that the country's government had violated environment laws in approving the controversial $5.5bn Bakun dam and hydroelectric scheme in Borneo. The ruling puts the project's progress in doubt six days after a consortium led by ABB, the Swiss-Swedish group, and Brazil's CBPO won the main contract to build the dam. A cancellation appears unlikely because Malaysian prime minister Mahathir Mohamed supports the scheme. Page 14; World stocks, Page 34

Zyuganov may seek deal with Yeltsin: Gennady Zyuganov, Communist challenger for the Russian leadership, hinted that his party might be prepared to join a coalition government under President Boris Yeltsin. Page 2

Unions accept Alitalia restructuring: Unions at Alitalia agreed to a radical restructuring of the Italian state airline in return for a stake of up to 30 per cent in the company and three seats on the board. Page 14 and Lex; World stocks, Page 34

Fininvest admits secret payment: Fininvest, the business empire of former premier Silvio Berlusconi, secretly provided L540bn ($348m) for allies to take control of Telepiu, the pay TV channel formed by the Italian media magnate, a senior Fininvest executive admitted. Page 2

White House names security supervisor: The White House sought to contain the damage from the embarrassing disclosures of its acquisition of confidential FBI files by appointing a career civil servant to supervise its personnel security office. Page 8

Coca-Cola ends Nordic deal: Coca-Cola ended a half-century of collaboration with Pripps Ringnes, its partner in Sweden and Norway, after a protracted wrangle, saying it would build its own production facilities in the two countries. Page 15

Germany plans to allow bugging: The German government proposed that police should be allowed to bug private homes as part of a campaign to combat corruption and other crimes. Page 14

Italy set for spending cuts: Italy's new centre-left government was last night due to announce cuts in public spending worth L11,000bn ($7.1bn) as part of a package of financial measures to keep the 1996 budget deficit on target. Page 2

Minister warns of squeeze on embassies: Britain's representation in other countries could be seriously affected if the diplomatic service suffered further expenditure cuts, Foreign Office minister Jeremy Hanley warned. Page 10

Thailand reverses tariffs policy: Thailand reversed its decision to reduce tariffs on imports of some consumer goods and may raise other tariffs after pressure from the private sector to control a widening trade deficit. Page 8; *Observer*, Page 13

CLT chief quits: Michel Delloye, chief executive of CLT, the international media group, resigned because of disagreements over plans for the group's management structure. Page 15; Lex, Page 14

Australia issues Internet shares warning: The Australian Securities Commission warned the country's 1m Internet users about "unsubstantiated securities information" published to entice investors to buy shares. Page 15

Huge lake found in Antarctic: Russian and British scientists in Antarctica said they had found a giant, freshwater lake under a glacier which could be up to a million years old.

Italy out of Euro 96: Italy and defending European champions Denmark were knocked out of the Euro 96 football tournament. Italy were held to a 0-0 draw in Manchester by Germany, who qualify for the last eight along with the Czech Republic who drew 3-3 with Russia in Liverpool. Denmark were eliminated despite a 3-0 win in Sheffield against Turkey. Portugal beat Croatia 3-0 in Nottingham, meaning both teams reached the quarter finals as Croatia had won their two previous games.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,663.49	(+35.46)
NASDAQ Composite	1,187.42	(+4.34)
Europe and Far East		
CAC40	2,100.70	(-7.24)
DAX	2,554.29	(+5.00)
FT-SE 100	3,753.2	(-3.2)
Nikkei	22,367.36	(+34.96)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.207%
Long Bond	86¼
Yield	7.073%

OTHER RATES

UK: 3-mo Interbank	5⅝%	(5¾%)
UK: 10 yr Gilt	95⅝	(95½)
France: 10 yr OAT	104.37	(104.51)
Germany: 10 yr Bond	97.16	(97.45)
Japan: 10 yr JGB	98.294	(98.1889)

NORTH SEA OIL (Argus)

Brent Dated	$18.42	(18.80)

GOLD

New York: Comex		
(Aug)	$386.5	(387.7)
London:		
close	$385.3	(same)

DOLLAR

New York: lunchtime		
£	1.54455	
DM	1.522	
FFr	5.158	
SFr	1.253	
Y	108.6	
London:		
£	1.5438	(1.5438)
DM	1.5207	(1.5148)
FFr	5.1586	(5.1447)
SFr	1.2518	(1.2482)
Y	108.135	(107.975)

STERLING

DM	2.3476	(2.3384)
Tokyo close:	Y 107.96	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDH16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils.650	Portugal (m/land)	Esc240	Turkey	L80,000
		Lebanon	LL3,000			UAE	Dh12.00

Brussels sets out framework for lifting of ban once UK meets conditions

Hopes rise over deal to resolve beef crisis

By Neil Buckley in Strasbourg, Lionel Barber in Brussels and Robert Peston in London

An end to the European Union beef crisis at tomorrow's summit in Florence appeared to be in sight yesterday after the UK agreed to extend a cull of cattle most at risk from BSE, or "mad cow" disease.

The move came as the European Commission published its framework for a phased lifting of the ban on British beef exports, attaching conditions and rejecting the UK's demand for an early lifting of the ban on exports to non-EU countries.

The UK government also indicated it would drop its policy of non-cooperation with EU business simultaneously with agreement on the framework in Florence - a commitment thought to be enough to satisfy the Commission. Brussels had warned that presentation of the document at Florence "presupposed" the ending of Britain's blocking tactics.

But there were fears a deal could be threatened if the UK government failed to sell the proposed compromise to Eurosceptics in its own party, or if other EU leaders demanded stricter conditions be imposed on the UK.

Member states including Germany, Austria and the Benelux countries have called for tougher measures from the UK to control BSE, while France recently hardened its attitude when it emerged that the UK exported potentially contaminated animal feed there after banning its use at home.

UK ministers said yesterday they were hopeful that a solution to the crisis could be agreed at Florence.

Government backbenchers were surprisingly uncritical of the compromises.

Presenting the framework document to the European Parliament in Strasbourg, Mr Jacques Santer, the Commission president, warned that the UK's blocking policy had to end. "To put it bluntly, the Commission expects the policy of non-cooperation to cease. Without that commitment, there will be no agreement in Florence," he said.

The Commission's document said exports of UK beef to non-EU countries could recommence only "in parallel" to phased exports to EU states. But it endorsed the other four stages in lifting the ban on herds certified to be BSE-free, embryos, cattle born after a certain date, and cattle under 30 months old.

It imposed conditions on any start of the lifting process, including the demand from several EU states for the UK to increase the selective cull of cattle most at risk by up to 67,000 on top of the proposed 80,000. Mr Keith Meldrum, the UK's chief veterinary officer, told EU veterinary experts meeting in Brussels yesterday that the UK would meet this request.

Other conditions included stricter guarantees on a cattle identification system; measures to remove suspect animal feed from farms, and improved methods for removing potentially contaminated meat from carcasses.

The document said each element of the ban could be lifted only after approval by veterinary and scientific experts, the Commission, and its inspectors – the same lengthy process already followed for removal of the ban on beef by-products such as gelatine, tallow and semen.

That could mean long delays in achieving each step.

The Commission's document stressed that leaders of other member states had lost faith in British safety procedures.

Germany demands strict safety rules, Page 10
Editorial Comment, Page 13

European Commission president Jacques Santer (left), with Italian foreign minister Lamberto Dini, told the European parliament in Strasbourg that the UK's disruption policy had to end if a deal was to be agreed at the Florence summit on an end to the beef ban Picture: Reuter

Watchdog probes London metal market

Review aims to restore confidence after Sumitomo affair

By Clay Harris and Kenneth Gooding in London and Emiko Terazono in Tokyo

Britain's top investment watchdog yesterday launched a comprehensive review of the role and powers of the London Metal Exchange in a bid to restore international confidence in the market in the wake of the Sumitomo copper affair.

"It is clear that the LME depends on confidence," Sir Andrew Large, chairman of the Securities and Investments Board, said. The exchange has faced accusations of lax supervision since Sumitomo Corporation's announcement last week that it had lost $1.8bn because of dealings by Mr Yasuo Hamanaka, its former chief copper trader.

The SIB said the review would cover all aspects of metal trading in the UK, including transactions and participants that are not regulated by the LME or any other body. Most copper contracts in the world are based on prices set in LME dealings.

Meanwhile, the LME revealed that a senior Sumitomo manager, Mr I Nishiumi, then director and general manager of Sumitomo's non-ferrous metals division, had attended a meeting at the SIB in December 1991.

The SIB called the meeting to ask Mr Hamanaka to explain a letter in which he requested an invoice for a backdated, fictitious trade worth $250m.

The exchange had also "expressed concern" at that time about the size of Sumitomo's operations in its copper market, Mr David King, LME chief executive, said.

Sumitomo has denied that it knew of or authorised Mr Hamanaka's trades. It insisted again yesterday that Mr Hamanaka was acting on his own, but said it was examining how it handled the warnings it received from London in 1991.

The LME review will study the regulation of metal and associated derivatives trading. It will examine not only the LME's own rules and operations but also the arrangements for international co-operation between regulators.

"It is important to emphasise that in this case the problems have occurred within a customer of the market, rather than within a regulated investment firm or bank," Sir Andrew said.

"Nevertheless the SIB has a strong interest when the impact of these events creates questions of confidence."

The SIB said it was working closely with the US Commodity Futures Trading Commission and with Japanese regulators.

Mr Keisuke Sadamori, deputy director of the Ministry of International Trade and Industry, said: "As far as we can see, what Sumitomo did was not illegal from our point of view. We're watching developments but we're not particularly requesting that Sumitomo give us information."

Copper prices moved higher yesterday after the LME said it had "satisfactorily absorbed the major shocks" created by the Sumitomo announcement.

Sumitomo loses Y150bn, Page 4
Editorial Comment, Page 13

France opposes Moulinex plan to cut 2,600 workers

By David Owen in Paris

France's industry minister said yesterday that plans by Moulinex, the troubled French household appliances group, to cut its workforce by more than 20 per cent were "not acceptable in their present form".

But the industry ministry said later that the government would not be able to do much more than work at the margins of the plan to shed 2,600 workers.

Moulinex shares, which had been suspended on Tuesday when the plan was announced, rose sharply yesterday closing up a fifth at FFr98.30 after the remarks by Mr Franck Borotra, industry minister.

He told the Assemblée Nationale, the French parliament, that he would "not abandon Normandy", the region where many Moulinex factories are located.

He said he would be "in constant touch" with Mr Jacques Barrot, minister of work, in order to ensure the restructuring plan that was "unfortunately needed" at Moulinex had the effect of saving the company and that "important social consequences" were prevented.

Mr Pierre Blayau, Moulinex's chairman, said there was "no question of going back on the plan".

Mr Blayau told Radio France Normandie that, while he was in favour of dialogue with trade unions and others, it was his responsibility to "say what Moulinex's problem was and to alert everyone to what was a worrying situation".

The restructuring plan resulted in a FFr600m ($116m) provision being included in Moulinex's results for the year to March 31, 1996. This took the group's net losses to a record FFr702m, the fourth consecutive year in which a loss has been recorded.

Mr Blayau said on Tuesday that the plan was intended to put the company's business performance on "a level equal to that of its main competitors".

The ministry of work said yesterday it would do everything in its power to prevent compulsory redundancies.

The municipality of Mamers, where one of the plants earmarked for closure is located, said it planned to organise a "dead town" day on June 26. With some 400 employees, the Moulinex plant is the main industrial installation in that town of 7,000 people. Argentan, a town of 17,000 where the other condemned factory is sited, was also said to be in a state of shock.

World Stocks, Page 34

Mexico to pay back $4.7bn of US loan a year early

By Daniel Dombey in Mexico City

Mexico will make a large early repayment of emergency financing provided by the US last year to help it overcome the crisis triggered by the disastrous December 1994 peso devaluation.

The repayment, an indication of Mexico's restored ability to raise finance in the private markets, was welcomed as "good news" by Mr Lawrence Summers, US deputy treasury secretary.

The Clinton administration paid a high political price for pledging up to $20bn last year to an international rescue package for Mexico.

"The Mexican economy is recovering and Mexico is regaining access to the capital market," Mr Summers said. "Most important, American interests are being protected as American support will be repaid and American exports to Mexico will increase."

The Mexican finance ministry said the country would repay $4.7bn of its outstanding $10.5bn debt to the US Treasury by the beginning of August – a year ahead of schedule.

Most of the funds for the repayment, the third and largest to date, would be obtained from a pending $3bn loan from a syndicate of banks led by Swiss Bank Corporation and J.P. Morgan.

Mexican officials said the payment would provide the country with cheaper and more sustainable financing than the US loan. The deal also smoothes Mexico's debt payment schedule, which would otherwise have been especially onerous in 1998 and 1999.

Because of the repayment, Mr Werner said, scheduled payments to the US Treasury would drop 45 per cent from the originally scheduled $3.6bn in 1998 and $4.3bn in 1999. The accumulation of debt payments in the two years, when about $7bn of debt to the International Monetary Fund also comes due, had been a cause of concern to some observers.

"This allows us to leave emergency financing and use cheaper, renewable mechanisms instead," said Mr Martin Werner, director of public credit in Mexico's

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Mexican party, Page 12

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هكذا من الأصل

NEWS: EUROPE

Challenger hints at serving as premier after July 3 run-off

Zyuganov may seek deal with Yeltsin

By Chrystia Freeland in Moscow

Mr Gennady Zyuganov, the Communist challenger for the Russian leadership, yesterday hinted that his party might be prepared to join in a coalition government under President Boris Yeltsin.

After meeting senior government figures yesterday, including Mr Victor Chernomyrdin, the prime minister, and Mr Alexander Lebed, the popular retired general who joined the Yeltsin team this week, Mr Zyuganov said he "would not rule out" serving as prime minister in a Yeltsin administration.

The presidential challenger's fading electoral prospects suffered a further blow yesterday when the government declared Wednesday July 3 a national holiday, clearing the way to hold the run-off between Mr Yeltsin and his Communist rival on that day.

By unilaterally breaking the national tradition of Sunday voting, the Kremlin hopes to capture the prosperous urban electors who support Mr Yeltsin but who like to spend weekends far away from polling stations in their rural dachas.

The central electoral commission said that it would prefer to hold the elections on July 3 and is expected formally to select that day after it releases the final results from the first round of voting today.

The government's latest move may have contributed to the seemingly defeatist mood of Mr Zyuganov, who trailed the president by less than 3 per cent in last Sunday's first-round voting.

In a departure from his usual upbeat predictions of outright victory, Mr Zyuganov said that regardless of who wins the second round Russia should be ruled by a broad coalition.

"The country is doomed to have a coalition government and that is clear to every thinking person," he said. "We need to find a balance for the good of the country. The country is split. One third voted for Yeltsin and one third voted for us."

Before the first round of voting some of Mr Yeltsin's most trusted political allies and a group of the country's leading financiers had called on the the president and his Communist rival to make a deal rather than polarise the country with a contentious political contest.

But amid growing optimism that Mr Yeltsin can win in the second round his enthusiasm for a coalition may be waning.

Both contenders continued to fight for the electors who backed the eight defeated candidates in the first round of voting.

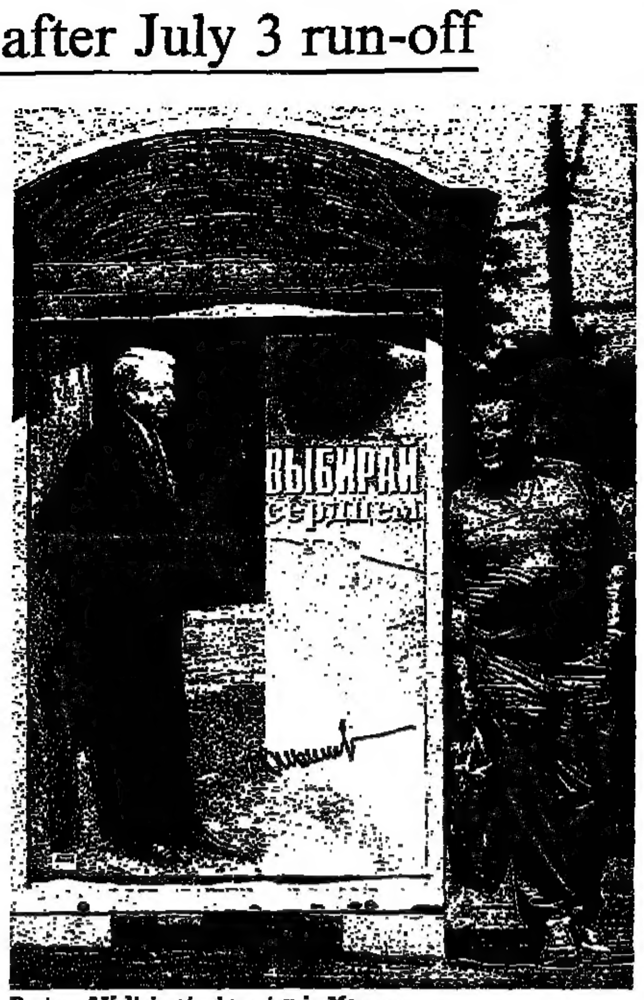
Mr Yeltsin, who pulled off a political coup earlier this week by enlisting Mr Lebed, the third place finisher, also won the grudging support of Mr Grigory Yavlinsky, the liberal candidate who came in fourth.

Although he fell short of openly endorsing the incumbent, Mr Yavlinsky urged his backers not to vote for Mr Zyuganov, and said that boycotting the polls was the same as casting a ballot for the Communists.

Mr Zyuganov tried to minimise the consequences of these alliances, warning that voters would not automatically follow their first choice candidates into the Yeltsin camp. "An electorate cannot be inherited like serfs," Mr Zyuganov said.

Strains are also beginning to appear within the pro-Yeltsin team. Just a day after he entered the Kremlin, Mr Lebed was publicly dressed down by the second most powerful figure in the government, Mr Chernomyrdin.

The prime minister dismissed the retired general's claims to have averted a threatened coup as "nonsense" and warned him to tone down his remarks in the future.



Poster of Yeltsin at a bus stop in Moscow AP

Fininvest admits secret payments

By Robert Graham in Rome and Andrew Hill in Milan

Fininvest, the business empire of former Italian premier Mr Silvio Berlusconi, secretly provided L540bn ($349m) for allies to take control of Telepiu, the pay TV channel formed by the media magnate, a senior Fininvest executive admitted yesterday.

Until now Mr Berlusconi and Fininvest have always denied retaining control of Telepiu, once a 1991 TV law came into force obliging divestment of all but 10 per cent.

But in private Fininvest has been saying for several weeks that Mr Berlusconi was obliged to divest so quickly that some support had to be given to future shareholders to enable Telepiu to get off the ground.

This funding included L220bn to Kirch, the German media group which has been a long-standing ally of Mr Berlusconi. The Kirch group also has a stake of 6.2 per cent in Mediaset, the company formed to house Fininvest's television interests and which is in the process of being floated.

The admission of Fininvest's funding was made yesterday by Mr Alfredo Messina, a senior executive, during a court hearing at the trial of Mr Berlusconi into bribes paid to the Guardia di Finanza (financial police) relating to tax inspections of companies in the media group. One of these bribes was L150m allegedly paid for an inspection concerning the real ownership of Telepiu.

Mr Messina said apart from the funding of the Kirch group, L200bn was extended to Mr Renato Della Valle, a property dealer associate of Mr Berlusconi, and L120bn to BIL, the Luxembourg international bank. The funds were provided by Fininvest offshore subsidiaries, including the Channel Islands registered All Iberian. Only half this money has been returned.

According to Mr Ennio Amodio, Fininvest's main criminal lawyer, the final return of these funds plus interest will be completed this month. The total sum to be repaid will be about L640bn, according to Fininvest.

Mr Amodio said yesterday that even if such funding was construed to be in breach of TV ownership laws by the media watch-dog commission, Fininvest could only be forced to return to its 10 per cent stake. This had already happened since Telepiu was now in the hands of the Kirch group and the Rupert family of South Africa.

Mr Messina's evidence followed the acquisition of information by Milan magistrates of the alleged illicit movement of funds to Fininvest offshore companies. This included operations related to Telepiu.

It also comes at a time when Fininvest appears anxious to clear up its problems with the judiciary to smooth the path of the Mediaset flotation.

Telepiu still remains part of Fininvest and the flotation has been ringed with guarantees to prevent judicial problems affecting it.

Fininvest confirmed last night that Kirch had at a subsequent date assumed responsibility for the L200bn advanced to Mr Della Valle.

This means that Fininvest has lent to Kirch a total of L420bn. Of this it is understood some L100bn has been repaid. Fininvest has yet to disclose the identity of the owner of the Telepiu shares held by BIL, the Luxembourg bank.

EUROPEAN NEWS DIGEST

French parties trade insults

Mr Alain Juppé, the French prime minister, and members of the opposition Socialist party traded charges of incompetence as the French parliament yesterday debated a doomed no-confidence motion on the government's economic policies.

The censure motion, which gained only 96 votes in the 577-seat chamber four-fifths controlled by the centre-right, was merely an opportunity for the Socialists to highlight public dissatisfaction.

Mr Laurent Fabius, the Socialist parliamentary group leader, accused Mr Juppé of failing to curb unemployment or to achieve budget deficit reductions crucial for France to join a single European currency in 1999, despite sharp tax increases.

Mr Juppé responded with a stinging attack on the Socialists, who were routed in the last general election three years ago. "Your record in government, or rather your liabilities may be summed up as waste and immobility," he said.

Accusing the Socialists of systematically opposing plans to modernise defence, reform the loss-making welfare system and adapt public services to European competition, Mr Juppé said: "You have become the fiercest champions of the status quo – of France's decline." Mr Fabius accused the government of selling out to the United States by agreeing to become of full member of Nato 30 years after General de Gaulle took France out of the alliance. *Reuter, Paris*

Judge in Gaullist probe removed

The investigating magistrate who has become the scourge of France's ruling Gaullist RPR party has been taken off a corruption investigation involving Mr Jean Tiberi, the mayor of Paris, judicial sources said yesterday.

Judge Eric Halphen wrote to the public prosecutor of the Paris suburb of Créteil on Monday requesting permission to investigate a suspected conflict of interest in which Mr Tiberi had the local authority refurbish a council flat for his own son. A former deputy director of the city's public housing authority has testified that the office spent more than FFr1m ($200,000) of public money.

But officials said the Créteil prosecutor had decided the case was not within his geographical jurisdiction and should be handed over to a public prosecutor. The opposition Socialist party had warned that taking Judge Halphen off the case would be tantamount to burying the affair. Mr Tiberi's son moved out of the council apartment last year. Mr Tiberi, who succeeded the President Jacques Chirac as mayor of Paris last year, was chairman of the city housing authority when the controversial renovation occurred in 1988. *Reuter, Paris*

Poland to arm tax collectors

The Polish Finance Ministry said yesterday that it wanted to create an elite team of armed tax inspectors, and to give all treasury collectors more policing powers to curb tax evasion in the country's vast underground economy.

Mr Jan Kubik, deputy finance minister in charge of tax inspection, said parliamentarians were putting the finishing touches to a bill that should make tax inspection more efficient. He said that among the measures was a proposal to set up a special unit within the ministry's Treasury control office. The new inspectors would be allowed to use intelligence techniques such as telephone bugging and to bear arms.

The law will also allow tax collectors to investigate businesses which are not officially registered and force them to pay taxes.

Tax collectors could ask individuals about sources of their wealth and force them to pay tax if it turns out they have an undeclared income. The bill would also give tax collectors more access to banking information presently protected under confidentiality rules. *Reuter, Warsaw*

Big companies keen to use euro

Many companies plan to start using the new single European currency right from its launch in 1999, the Association for the Monetary Union of Europe said in a report released yesterday.

The Paris-based business lobbying group said companies were in favour of a single currency, to be phased in alongside national currencies between 1999 and 2002. Coins and notes will not be introduced until 2002.

"A number of companies plan to switch over to the euro in 1999 for all or part of their operations. This will probably have a significant accelerating effect," it said.

Among large industrial groups which it said were preparing to use the euro widely from 1999, it cited Luxembourg steelmaker, Arbed, Dutch electronics group, Philips, German electronics and engineering conglomerate, Siemens, and Belgian chemical company, Solvay. The report was based on talks between representatives from 68 member companies of the association. It urged companies to start preparing for the euro now, noting that consultants, software providers and information technology experts would be in short supply ahead of its launch. *Reuter, Paris*

Russian-Nordic nuclear talks

Norway and Sweden will work with Russia to prevent smuggling of nuclear materials that could be used in atomic weapons. Nuclear control agencies, as well as police, customs, and military authorities, yesterday met in Pasvik, on Norway's border with Russia, to discuss co-operation.

"The Russian authorities made it clear that security is not good enough. We will assist the Russians so that they can adequately protect the materials," said Mr Carl Erik Christoffersen of the Norwegian Radiation Protection Authority.

Mr Christoffersen said assistance could be computer programmes designed to keep track of the materials, and funding of improved security at military and civilian storage sites. Researchers in Norway say there is a greater concentration of nuclear materials on the arctic Kola Peninsula, an important base for Russian atomic submarines where Russian and Norway share a 195km border, than anywhere else in the world.

Norway has been trying to help Russia monitor and clean up radioactive accidents on the Kola, while Sweden has helped the former Soviet republics of Ukraine, Kazakhstan and Belarus with programmes to combat smuggling. *AP, Oslo*

Welcome for Emu policy 'club' proposal

By Robert Chote

Mr Philippe Maystadt, Belgian finance minister, yesterday gave a cautious welcome to his French counterpart's proposal that governments signing up for a single European currency should form a club to co-ordinate their economic and budgetary policies.

Mr Maystadt told a conference in London that the French proposal for a club modelled on the Group of Seven leading industrial nations was of great interest and merited further discussion.

The idea was proposed by Mr Jean Arthuis, French finance minister, in a speech in Bonn on Monday.

Mr Maystadt said the club would allow countries within a single currency to discuss co-ordination of fiscal and other economic policies. But he added the club would have to be relatively informal, so as not to require a revision to the Maastricht treaty. The treaty gives responsibility for non-monetary policy co-ordination to the Ecofin Council of finance ministers, although in practice its coherence might be undermined by its inclusion of both the Emu "ins" and the "outs".

Mr Jurgen Stark, secretary of state at the German finance ministry, said co-ordination was already more advanced within Europe than the G7, because the latter was not set up by treaty and was therefore more subject to constitutional and legal constraints in the individual member countries. Germany has already proposed a "stability council" of Emu members, but focused narrowly on fiscal policy.

Mr Maystadt said it would be important to ensure that budgetary policies were co-ordinated with the interest rate policies of the European central bank.

"In some circumstances it will be a matter of convincing the authorities of a country to adopt a restrictive budgetary policy in order to resist inflationary pressures and to allow the European central bank not to tighten its monetary policy," he said.

Italy announces big public spending cuts

By Robert Graham in Rome

Italy's new centre-left government last night announced cuts in public spending worth L11,000bn ($7.1bn) as part of a package of financial measures to keep the 1996 budget deficit on target.

In advance of the mini-budget, provisional data on consumer prices for June indicated annualised inflation had fallen below 4 per cent.

The combination of tough measures to hold the 1996 budget deficit to 5.9 per cent of GDP and improved inflation figures led to expectations in the financial markets of an interest rate cut by the Bank of Italy. Mr Antonio Fazio, governor of the Bank of Italy, has insisted the discount rate will not be cut until inflation falls below 4 per cent and the public sector deficit is tackled with vigour.

A fall in interest rates of up to 2 percentage points during the rest of this year is essential to the new Prodi government's calculations. Every one percentage point fall in interest rates cuts debt service by some L15,000bn over the next 18 months. The government expects it will be able to save L4,000bn on interest payments this year.

This expected saving explained the difference between the L20,000bn needed to hold the deficit to L109,000bn and the L16,000bn package of financial measures in the mini-budget.

Two-thirds of this will come from spending cuts. Of this L11,000bn, all but L2,500bn will be found from current spending. Mr Carlo Azeglio Ciampi, treasury minister and former governor of the Bank of Italy, has sought to spread the load evenly, with each sector playing its part. But the main savings will come from transfers to the state railways (FS), the roads authority (Anas), the exports guarantee organisation (Sace) and the ministries of posts and defence.

Public sector recruitment will be frozen and parliament's special fund to cover unexpected spending will be forfeited. Savings will come from investigation of fake invalids and a crackdown on tax evasion.

On the fiscal side, the government kept quiet until the last minute. This suggested considerable discussion on what measures should be adopted. Some fresh funds will be raised by increasing the tax on lotteries but, most important of all, some changes are expected to be detailed today to squeeze some more from corporate operations, which the government feels have been treated too leniently in past years.

The package was approved alongside the broad lines of the government's three-year macro-economic targets geared to bringing Italy into line with the criteria of the Maastricht Treaty in advance of Friday's EU Florence summit.

Mr Prodi and Mr Ciampi have said they intend to give a strong signal of Italy's desire to respect the Maastricht criteria in advance of the summit. The mini-budget is intended to pave the way for an early re-entry of the lira to the European Exchange Rate Mechanism (ERM).

Mr Ciampi has been pressing for forcing the pace to ensure Italy could comply with the Emu criteria by 1997. Others in the cabinet have argued for a slower approach to avoid conflict with the unions.

Bonn gives way on women's pensions

By Peter Norman in Bonn

The German government yesterday announced the first significant revision to its controversial programme of public spending cuts and tax and welfare reforms.

Its change of heart will add to difficult decisions on public spending that must be taken before Chancellor Helmut Kohl can be sure that the DM70bn ($45.40bn) package of spending cuts for 1997, announced eight weeks ago, is secure.

Mr Norbert Blüm, the labour and social affairs minister, said a controversial plan to lift the pensionable age for women in stages from 60 to 65 would be delayed for three years so that it would start in 2000 instead of next year.

Although the pension plan was one of the main targets of last weekend's mass demonstration of trade unionists in Bonn, government politicians yesterday insisted the government's austerity package was not about to unravel because of popular protests.

Mr Hermann Otto Solms, leader of the Free Democrat party in the Bundestag, said the decision was taken by the coalition parties last Friday and was based on fears that the original plan could be challenged in the constitutional court because it did not give people enough time to adjust their personal finances.

The delay will cost DM100m next year and DM3.4bn by 2000. Because Chancellor Helmut Kohl has insisted that the amount of spending cuts must be maintained, Mr Blüm will have to find offsetting savings elsewhere.

Mr Blüm is not the only minister with a budget headache. Wage negotiations for 3.2m public-sector workers are due to be concluded today. Despite objections from workers in eastern Germany, unions and employers are expected to accept a compromise settlement of a one-off pay rise of DM300 for this year and 1.3 per cent for 1997.

Though at the bottom end of settlements in this year's wage round, it contrasts with the zero increase in public-sector pay envisaged in the government's programme. The proposed settlement will cost public employers DM3.8bn by the end of next year, with the burden falling mainly on the federal states or Länder and local authorities.

The Länder already have problems finding DM25bn of spending cuts for 1997 as their contribution to the government programme. They have agreed cuts of DM14bn, according to Ms Heide Simonis, the prime minister of Schleswig-Holstein, but have to find the remaining DM11bn by a deadline of July 5. Meanwhile, Mr Theo Waigel, Bonn finance minister, is locked in negotiations with his cabinet colleagues to find DM7bn of departmental spending cuts by July 10, when the Bonn cabinet is due to agree the draft federal budget for 1997.

While many loose ends in the government's programme remain to be resolved before the summer holidays, this year's wage round appears to be drawing to a peaceful close. In separate negotiations, union and employers reached agreement yesterday on wage increases of 1.9 per cent for 465,000 bank workers and 1.8 per cent for 260,000 workers in the steel industry and wholesale trades.

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EU central bank will require uniform and regular data on financial flows by 1999

European banks face fresh Emu costs

By Gillian Tett, Economics Correspondent

European banks and building societies will face demands for costly changes in the way they report financial flows later this year as part of preparations for a single currency. The demands come amid fears that poor data on financial flows could hamper operations of a future European central bank (ECB).

Reliable information on money supply – crucial for the ECB to judge interest rate decisions – will not be available for the start of European Monetary Union in 1999 unless the changes can be pushed through.

European central bankers are due to agree the reporting changes, secretly drawn up by EU banking officials in recent months, at the European Monetary Institute (EMI) council meeting next month. They will then be unveiled to the banking community in the autumn.

The changes are needed because EU countries use different systems for measuring money supply and balance of payments. Domestic cash can be counted relatively easily, but cross border deposits and financial market trades are harder to track.

Once Emu starts, countries will need to present comparable data. And this means that all of the EU's 15,000 financial institutions will have to provide more information about financial flows, broken down by EU and non-EU areas. They will also have to report the data on a monthly basis, instead of the quarterly system used in many countries.

The costs of the changes have not yet been calculated since they have not yet been discussed with private banks. However, some estimates suggest they could run into "hundreds of millions of Ecu". This will be on top of the other Ecu8bn ($10bn) costs that the EU banking sector is estimated to face preparing for Emu.

If the future central bank cannot gather the information, it will have difficulty producing reliable figures on money supply and balance of payments. These will be needed to set monetary policy for countries in Emu, as well as helping the future ECB in its surveillance of EU economies outside Emu. The data problem arises at a particularly sensitive moment given that the EMI is demanding new powers for its successor, the ECB, for monitoring economic developments in countries that will be tied to the future euro through a new exchange rate mechanism.

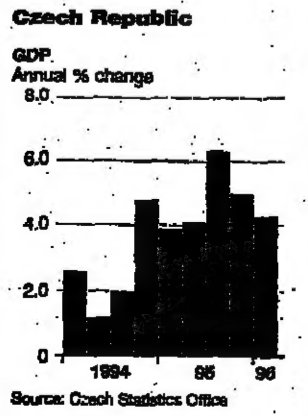
Mr Alexandre Lamfalussy, EMI president, is to present a report to the summit of EU heads in Florence this weekend arguing that the ECB should have clear authority to call for realignments of currencies inside a future exchange rate mechanism. He will also insist that the ECB will not intervene to support currencies if it threatens inflation.

The prospect of further costs is provoking disquiet among some banking groups. Mr Duncan McKenzie of British Invisibles in London said yesterday: "Any new costs are a matter of concern. Although there is a willingness to help there is not an open cheque book." An official at the European Banking Federation in Brussels said: "We want to be sure that any new costs are really needed."

All EU countries will be affected, since large quantities of euros might be held in regions that might be outside Emu, such as London. The move is likely to prove particularly controversial in London. Although the Bank of England could provide monthly data on money supply fairly easily, it is deeply reluctant to collect monthly data on the balance of payments.

ECONOMIC WATCH

Czech growth hits 4.3 per cent



Source: Czech Statistics Office

The Czech Republic's gross domestic product rose 4.3 per cent in real terms in the first quarter of this year over the same period in 1995, the state statistics office reported yesterday. It is now on target comfortably to exceed 1995's full-year growth of 4.8 per cent. The rise follows growth of 5 per cent in the final quarter of last year, and was fuelled by investment activity, which rose 13.8 per cent in the quarter. Consumption rose by 6 per cent in the quarter. Economists have forecast an investment-led surge in growth, first seen in the second half of 1995. They estimate full-year GDP growth of 5.5-6.0 per cent. Services accounted for the largest share of GDP growth, but the share of industry has been rising. *Vincent Boland, Prague*

■ Switzerland's seasonally adjusted trade surplus totalled SFr81.1m ($64.8m) in May, compared with a revised deficit of SFr182.1m in April. The May surplus compares with a surplus of SFr164.8m in the same month last year.

Çiller ready to respond to Islamists' wooing

Çiller: will she enter coalition with Islamic fundamentalists?

Mrs Tansu Çiller, Turkey's embattled conservative leader, is expected today to give her reply to incessant courtship by the *Islamic fundamentalists of* the Refah party. Although she has given no public indication of whether she will agree to form a coalition government with them, many political commentators think she may well *take up their offer*.

Agreeing to an alliance with Refah would grant the *Islam*ists a dominant voice in the country's affairs for the first time since the establishment of Ataturk's secularist republic 73 years ago. It would also indicate that the fight to the finish *for control of the centre-right* heartland of Turkish politics *between Mrs Çiller and her* arch-rival Mr Mesut Yilmaz, the caretaker prime minister and head of the Motherland party, is entering a decisive phase.

On Tuesday she told members of her True Path party: "Forming a coalition with Refah does not mean we will make any concessions on secularism and democracy. There are not many other acceptable *possibilities. We should find* the possibility which would harm the country the least. The best model was the True Path-Motherland coalition, but it did not work. At this point *there cannot be a government* without Refah. Two options are either True Path-Refah or Motherland-Refah."

Many analysts believe Mrs Çiller would use another spell in power to smash Motherland *once and for all and win con*trol of the centre-right, even if *it meant abandoning her* strong anti-Islamist stance. In February, she said Refah "cannot force us into a coalition. I will not surrender to Refah. My country is not for sale."

She may also gamble that the *appeal* of a new spell in government would be enough *to overcome her supporters'* misgivings. While many True *Path MPs would resign rather* than enter a coalition with Refah, Mrs Çiller and her strategists must calculate whether the majority would support her. Three True Path MPs have defected already, and many more might follow. If more than 21 of her MPs abandon ship, True Path and Refah would not be able to muster a *majority in parliament. She* could even lose the *leadership*, which is up for renewal in July.

Mrs Çiller must also hope an alliance with Refah would save *her political career, threatened* by three parliamentary committees of inquiry probing corruption allegations against her. If the committees found against her and parliament ratified their findings, Mrs Çiller *would be sent for trial at the* supreme court, making her vir*tually ineligible for office*. Ironically, Refah, together with Mr Yilmaz, were the prime movers behind the corruption probes.

Now Refah's leader, Mr Necmettin Erbakan, has *hinted* he would bury the committees if she tied *the knot with him*.

Last night Refah MPs sided *with Truth Path members to* block a fourth committee to investigate the whereabouts of $6.5m which Mr Yilmaz claimed Mrs Çiller misappropriated from government funds when she was prime minister. This is seen as a gesture by Refah to Mrs Çiller to underline the seriousness of their intention to form a coalition with her. *Of course, such a* union might strike voters as little more than a tactical move by Mrs Çiller to save herself.

She might also find it hard to *maintain her international* credibility. Mrs Çiller convinced western governments to back her during her 1993-96 period as prime minister by portraying her government as a bulwark against fundamen*talism which threatened "to* plunge Turkey into a period of darkness".

Yet offering to do a deal with Refah may simply be no more than an elaborate game of bluff she and Mr Yilmaz began playing since December's inconclusive general election. *She may hope that Mr Yilmaz* will be panicked into a new *alliance with her* on better terms than their coalition which lasted less than 100 days. Mr Yilmaz tried the same trick in February: he negotiated an alliance with Refah, but the army forced him and Mrs Çiller together into their abortive alliance.

Generals have hinted recently that they could live with Refah in power as long as it does not tamper with Ata*turk's secularist heritage. It* may have little other choice, since its favoured solution of a Motherland-True Path alliance has failed.

Meanwhile, Refah has dis*tanced itself from its more rad*ical electoral rhetoric and Refah MPs have made pro-army statements. Mr Zeki Unal said: "The army is the continuation of the Ottoman heritage and it is the prophet's hearth."

Some western governments, as well as the business establishment and the media also think Refah should be given a taste of power, believing that it would be as incompetent and corrupt as its predecessors, thus discrediting it as a serious party. The secularists fear that *Refah would otherwise simply* grow stronger in opposition.

This game can only last until July 22, the date set by President Süleyman Demirel for the end of the consultation period established by the constitution. If no party can form a government by then, he will call general elections. This may well concentrate secularist minds as the deadline approaches, since opinion polls suggest Refah would come to power.

John Barham

Dutch court to decide if green is a grey area

By Gordon Cramb in Amsterdam

KPN, the privatised Dutch posts and telecommunications utility, is green and envious.

Yesterday it sought an injunction in a Hague court *against a competitor* – in what the smaller rival maintains is *an attempt by the former* monopoly to secure an exclu*sive right to the colour green* within the country's deregulated telecoms business.

In a suit against Lacis, a Utrecht-based supplier of telephone exchanges, data networks and video-conferencing facilities, KPN's PTT Telecom subsidiary argues that use by Lacis of large swathes of green in its advertising breaches PTT trademark rights.

PTT also maintains that *other elements of Lacis* publicity echo its own. However, according to Mr John Diertens, Lacis marketing director, the main item is the use of green in telecoms.

"At first we thought it was the specific colour we used in earlier ads, so we said let's make friends and we used a different tint." Deepening it by *several gradations on the* internationally-agreed colour *scale failed to shift PTT*.

The privately-owned Lacis, though ranking itself as PTT's biggest rival in the equipment sectors where it is active, has annual sales of just Fl 40m ($23.5m) and 150 staff. PTT has more than *30,000* employees and commanded revenues last year of Fl 13.6bn.

The bilious lime favoured by PTT adorns its telephone boxes, vans and the covers of phone directories across the Netherlands. Specialists – in patent and in paint – agree that a main difficulty in the case will be to determine what constitutes a sufficiently different shade. Another will be how widespread the use of green is in the telecoms industry internationally. Lacis argues *it is almost as common* as red for mailboxes.

Karadzic regime comes up with alternative to The Hague tribunal

Bosnian Serb 'war crime court'

By *Laura Silber* in Belgrade

The Bosnian Serb assembly yesterday voted to establish its own court to try local Serbs accused of war crimes.

The Bosnian Serbs said the *court would follow the proce*dures of the United Nations war *crimes tribunal in The* Hague – which has Bosnian Serb leader Radovan Karadzic and his military commander, General Ratko Mladic, at the *top of its "most wanted" list*.

Western diplomats immediately dismissed yesterday's move by the self-styled Bosnian Serb "republic" which has retained Mr Karadzic and Gen Mladic in their posts in defiance of last year's Dayton peace agreement.

"The decision is aimed at exonerating any *Bosnian Serbs* and most likely the Serb tribunal would then also issue their *own indictments against Mos*lems and Croats," said one western diplomat.

Mr Christian Chartier, spokesman for the UN tribunal in The Hague, said: "It is just one more breach of the Dayton *accords and of UN Security* *Council resolutions*". The Bosnian Serb assembly met to discuss implementation of the Dayton accords against a background of reports that Mr Karadzic would soon meet international demands to resign.

'It is just one more breach of the Dayton accords and UN resolutions'

Mr Gojko Klickovic, the Bos*nian Serb prime minister*, said for the first time yesterday that Mr Karadzic would soon "formalise" his decision to *step down. Last month*, Mr Karadzic appointed Mr Klickovic as the new prime minister as part of his campaign to get rid of politicians from the north-western town of Banja Luka, who are willing to help *implement* the *Dayton* agreement. The Bosnian Serb leadership is trying to devise a formula that would ease international pressure on them and President Slobodan Milosevic of Belgrade.

International mediators privately have told Mr Milosevic limited economic sanctions *could be re-imposed on Serb*-led Yugoslavia unless Mr *Karadzic stands down by July* 1. This newest political man*oeuvre would fall far short of* international demands for Mr Karadzic to withdraw from the political scene altogether.

Under the Dayton plan for Bosnia and UN security council resolutions, parties to the *conflict in former Yugoslavia* are obliged to hand over *indicted alleged war criminals* to The Hague. Of 57 suspects indicted, only seven are in custody.

The Bosnian Serbs appear to be following the lead of the Serbian government, which *last month said Belgrade* would investigate the cases of three former Yugoslav army officers indicted for war crimes in Croatia. The western diplomat said: "It is reminiscent of Belgrade's stance that *if war crimes are committed* on their own territory they will try them. *But the UN* tribunal takes precedence."

Czech PM progresses in search for coalition

By Vincent Boland in Prague

Mr Václav Klaus, the Czech prime minister, is due to resume talks with the leaders of two potential coalition allies *today as attempts* to form a minority government inch towards agreement on the key issue of the distribution of cabinet posts.

Mr Klaus and his allies, Mr Josef Lux of the Christian Democrats (KDU) and Mr Jan Kalvoda of the Civic Demo*cratic Alliance (ODA), have* reached "rough agreement" on policies. But the division of seats in a proposed 14-member cabinet has still to be finalised.

The prime minister said earlier this week that a coalition *should be in place by next* Tuesday, when parliament resumes *almost four weeks* after a general election in which the outgoing government, dominated by his Civic Democratic party (ODS), lost its 12-seat majority.

The ODS occupied most of the seats in the outgoing cabinet, but the KDU and ODA have insisted on sharing half the posts in the new cabinet. There are growing signs, however, that they may be forced to relent on this demand because of the number of concessions the ODS has made.

No details of the policy *agreements have been* released, and few clues have emerged as to the content of the programme a minority government, with 99 out of 200 seats in parliament, would bring forward. However, Mr Klaus has backed down in several key areas, accepting the *creation of new regional* administrations, separation of the state pension fund from the state budget, and changes in health insurance.

In return, the ODS, keen to retain as much authority as it can to compensate for its weakened *status* after the election, appears ready to insist on *a majority* of cabinet seats and to offer its minority partners a veto over cabinet decisions.

If Mr Klaus brings a coalition agreement to parliament he will have 30 days to win a vote of confidence.

To win that he must secure the support of the main opposition Social Democrats (CSSD), the party that did best in the election. Some of the measures already conceded by the ODS meet CSSD demands, but a wider agreement that will ensure its continued support in *parliament for the minority* government is not yet in place.

THE SUMITOMO AFFAIR

LME says it reported Hamanaka four years ago

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange drew the attention of senior Sumitomo management to the unorthodox activities of their senior copper trader, Mr Yasuo Hamanaka, for the first time in December 1991, Mr David King, the exchange's chief executive, said yesterday.

The exchange at that time also "expressed concern" about the size of Sumitomo's operations in its copper market.

Mr King also implied that the discovery that Mr Hamanaka had concealed losses of $1.8bn over 10 years had resulted from action taken by the LME after the copper market had shown renewed volatility last November.

He recalled that, in November 1991, a London trader had sent the LME a handwritten letter from Mr Hamanaka asking for an invoice for a backdated, fictitious trade worth $250m. Mr King said that the exchange contacted Sumitomo about this via the LME's regulatory organisation, the Securities and Investment Board.

This was followed by a meeting in the SIB's offices in London with Mr Hamanaka and Mr I. Nishiumi, then director and general manager of Sumitomo's non-ferrous metals division.

The LME had also advised its members about the Hamanaka letter. Mr King said yesterday: "From the LME's point of view, therefore, we had taken all appropriate action by advising the membership and putting the facts in the public domain, by advising the regulatory authorities and ensuring that senior Sumitomo management also were aware of the situation."

Mr King said the LME again expressed concern to Sumitomo about its activities in the copper market in 1993.

When the market became volatile again last November the LME Board authorised Mr King to obtain from members details of their positions in futures and options, both on and off the exchange. He also asked for details of those members and clients who controlled stock in LME warehouses.

Mr King said he was so concerned after carrying out that investigation that he asked for a sub-committee of independent people to be set up that could take appropriate action. The investigation showed that Sumitomo had very significant positions in the market, both on and off the exchange. "Plainly this was very market sensitive data and we were not in a position to share it with others, apart from the regulatory authorities and Sumitomo itself."

The LME has been criticised for not acting incisively enough by the trader who received the Hamanaka letter, Mr David Threlkeld, who now has a metals trading company in Vermont in the US.

Mr Threlkeld said yesterday he still was not satisfied with the LME's explanation. "I can think of no good reason why anyone would want to create backdated, fictitious invoices. If it had happened in the US, the SEC and the Justice Department would have been involved." As for Sumitomo's dominating position in the copper market, "the very least the LME should have demanded was a board resolution about Hamanaka's position limits and for that to be updated as it changed."

Mr Threlkeld said he was not attacking the LME. "It is a unique market and in order to maintain its position in the world as a unique market, it needs at all times to demonstrate ethical and financial responsibility." He welcomed the review of the market by the SIB and suggested that many of the LME's problems would be solved by a better reporting system.

Mr King said that, since Sumitomo revealed Mr Hamanaka's losses last Thursday, his prime concern was to make sure the LME's copper market remained orderly as it moved towards the busiest trading days of the month – on Monday and Wednesday this week.

Copper trading: who regulates what in the UK

Securities and Investments Board (accountable to Treasury) Regulates front-line regulators, including those below

London Metal Exchange (accountable to SIB)	Securities and Futures Authority (accountable to SIB)	London Clearing House (accountable to SIB)	NOT REGULATED
Overseas markets in non-ferrous metals futures and options. Only trading in derivatives contracts requires LME to be recognised by SIB, since physical metals not covered by Financial Services Act. Regulates members but only in respect of their exchange-traded deals.	Regulates firms to ensure they comply with its rulebook, and with SIB principles and that they have sufficient capital. Monitors firms' positions on exchange-traded and OTC derivatives contracts and investigates untoward behaviour.	Clears LME transactions. Requires deposit of initial and variation margins. Initial margins may be increased in times of volatility.	Cash market for copper. Customers of the cash or derivatives markets (producers and users, overseas hedge funds). The SIB has powers to investigate the investment business of such customers, but only if invited to do so by a front-line regulator.

Trading house sets aside Y150bn and cancels share-buyback plan

By Emiko Terazono in Tokyo

Sumitomo Corporation said it would write off all losses caused by Mr Yasuo Hamanaka's illicit copper trades during the current business year to March 1997, but added that it was not yet clear how much the company had lost.

The Japanese trading house, at the centre of the Sumitomo family of companies, said loss reserves were increased by Y150bn ($1.37bn) and the company had cancelled plans to buy back its shares in the market. It also cancelled Y120m in bonus payments for its executives.

Japanese news reports said investigations by US and British regulators would influence the company's treatment of the estimated $1.8bn loss, in particular, whether it would be written off as the responsibility of an individual employee or as that of the company as a whole.

Sumitomo has denied the statements by UK regulators that the company knew and authorised the trades by Mr Hamanaka. It insisted again yesterday that Mr Hamanaka was acting on his own, though it admitted that it was examining how it handled warnings received in the early 1990s from the London Metal Exchange.

Mr Tomiichi Akiyama, Sumitomo's president, said this week that the company was not aware of the size of the trades involved and had ordered the copper division to cut its trading volume by 10 to 30 per cent.

Meanwhile, a group of Sumitomo's shareholders are poised to sue the company for the trading losses. While a compensation figure was not revealed, it could become Japan's largest shareholder suit against a single corporation.

Sumitomo officials say they do not expect Mr Akiyama to resign at this year's stockholders' meeting, which is scheduled for next Thursday, nor do they expect the suspension of promotions for other executives during the gathering.

The trading company indicated that it had postponed a decision on any tougher punishment for managers and employees concerned because the case was still under investigation.

However, officials at the ministry of international trade and industry, which oversees trading houses in Japan, said they could see no illegal behaviour at Sumitomo, and were not actively chasing the company for further information on its copper-related business.

S Africa urged to relax pay stance

By Mark Ashurst in Johannesburg

The South African government should relax its commitment to collective bargaining, but give trade unions and business groups a bigger role in developing industrial relations and employment policy.

This is the finding of a commission appointed by Mr Tito Mboweni, minister of labour, to advise on the development of a more flexible labour market. Its report complements tough fiscal targets and macroeconomic policy goals announced last week by Mr Trevor Manuel, finance minister.

The 250-page report has been handed to President Nelson Mandela, and is likely to form the basis of new employment legislation later this year.

At the heart of its recommendations is a National Accord for Employment and Growth, which would provide a framework for negotiations between labour and business.

It warns that, without such a framework, industrial unrest could undermine investor confidence and scupper the government's plan to achieve a budget deficit of 3 per cent of gross domestic product by 1999.

"The certainty generated by a successful accord will forestall the necessity for each party – government, investors and workers – to resort to extreme defensive measures in pursuit of their respective objectives," says the report.

Its findings provide endorsement for the tripartite National Economic Development and Labour Council, the forum charged with ensuring consensus on economic policy.

In the wake of the currency market volatility, which has led to an 18 per cent devaluation in the rand since February and revived fears of double-digit inflation, the accord should include commitments to avert inflationary pressures.

The commission recommended changes to last year's Labour Relations Act to enable the government to exercise discretion over the collective bargaining process. The act now obliges the minister to accept the outcome of collective bargaining where the parties to an agreement represent over 50 per cent of the industry.

But the commission favoured reforms that compelled bargaining partners to provide the minister with authority to intervene in cases where settlements are deemed to be excessive.

It also suggested a role for competition authorities in ensuring that consensus agreements withstood the pressure of industrial disputes. Settlements that ignored the accord should be referred to the Competition Board which "should exercise particular vigilance with respect to price increases" by companies which have awarded pay rises deemed to be excessive.

UN chief to attend G7 summit

By David Owen in Paris

The heads of the four main multilateral institutions are to attend the summit of the Group of Seven industrial countries in Lyons at the end of this month.

The four – Mr Boutros Boutros Ghali, secretary-general of the United Nations, Mr James Wolfensohn, president of the World Bank, Mr Michel Camdessus, managing director of the International Monetary Fund, and Mr Renato Ruggiero, director-general of the World Trade Organisation – will attend the last day of the summit on June 29 covering multilateral issues, including world debt.

Subjects for discussion will include reform of the multilateral institutions, specifically, the United Nations.

Overall theme of the summit will be globalisation and how to make it succeed for everyone's benefit.

An issue high on the agenda of the economic meeting, for example, is likely to be the effect of globalisation on jobs, a subject close to the hearts of France and other European Union countries suffering high unemployment, and the need to implement structural reforms in the run-up to economic and monetary union.

Mr Boutros-Ghali's visit to Lyons comes at a time when his record as UN secretary-general is being subjected to intense scrutiny in the US.

Without naming the US, Mr Ahmad Fawzi, Mr Boutros-Ghali's spokesman, has denounced what he sees as a press campaign against him in "certain member states". The articles did not reflect the substantial amount of work accomplished by the secretary-general in the past five years, he declared.

Mr Boutros-Ghali's term of office expires at the end of this year; he has yet to say whether he will seek to stay on.

Israel's new finance minister to battle with bloated deficit

Ilene Prusher reports on the challenges facing Dan Meridor

Mr Dan Meridor, Israel's new finance minister, is an intellectual with an impeccable establishment background and a reputation for right-wing economic views, although he upset the religious right by championing human rights when justice minister in the last Likud government.

The business community is looking to Mr Meridor to implement promises for privatisation and budgetary constraint.

He is one the new generation of more cosmopolitan Likud party leaders that includes Prime Minister Benjamin Netanyahu himself.

The premier and Mr Meridor, 49, came from the same affluent Jerusalem neighbourhood of Rehavia. There, he attended the right school (the Hebrew Gymnasium) and grew up in the right kind of political family. (His father, Eliyahu, was a member of parliament). He did the right kind of army duty so important to success in Israeli politics, serving as tank commander in the 1967 Six Day War and as a captain in the Israel army reserves.

Mr Meridor graduated from Hebrew University's law school and married his wife, Leora, who became one of Israel's leading economists. An upbringing in the Likud's youth movement (Betar) paid off, ultimately in an offer to be cabinet secretary by the then-prime minister Mr Menachem Begin in 1982.

By 1984, at the age of 37, Mr Meridor had won a seat in parliament. Four years later, he had become justice minister.

Nevertheless, he has not always toed the party line. As justice minister, he clashed with the religious right when he pressed for human rights legislation. Though in a trimmed down form, he is credited with introducing the Basic Law, a form of human rights law which became the basis for supreme court decisions.

Such behaviour won him respect from some left-wing circles. They also cost him some support within the conservative Likud.

"He was at times very unpopular in the Likud because of his stand for human rights, and the rights of Arabs," said Professor Asher Maoz, a legal expert at Tel Aviv University.

In his new job he will be faced with trying to cut a bloated budget deficit, sell off state-owned property, and bring inflation under control.

He will inherit an economy with inflation running at 15 per cent a year, against 8.1 per cent last year. He will be under pressure to make expenditure cuts of Shk5bn-6bn ($1.53bn-$1.84) in the next year and a half, bring Israel nearer its target inflation rate of 8-10 per cent and its budget deficit target of 2.5 per cent of gross domestic product.

Some say such deep cuts could be a tough task for an eloquent man described by so many as a "nice guy". But left-wing MP Dedi Zucker, who has worked closely with Mr Meridor, thinks his passionate views against government intervention will make his job easier.

"He's an old-fashioned right-winger. He really believes in the power and ability of the free market as a means to fix and to shape, with the less government, the better," said Mr Zucker. "He doesn't believe in subsidies. He doesn't like an enormous amount that is going through national insurance to people. He hates taxes and he hates housing done by government."

Now more than ever, spending on housing is a thorny issue. The new government was elected on promises to expand Jewish settlement in the West Bank and Gaza, ignoring Palestinian hopes of statehood. Mr Meridor's views on budget cuts might make it less likely that the government would pour money into settlements.

Meridor: Deep spending cuts will be a tough task for 'eloquent nice guy' Reuter

US law change spurs scramble for Libyan oil deals

By Robert Corzine

Senior executives from Agip, the Italian oil company, were reported to be scurrying around Tripoli yesterday trying to secure a big natural gas deal before controversial US legislation aimed at further isolating Libya and Iran was approved in Washington.

The legislation, passed by the House of Representatives yesterday, is intended to discourage new foreign investment in the Libyan and Iranian petroleum industries. Washington's aim is to punish the two so-called "outlaw" regimes, both of which are dependent on oil for most of their hard currency earnings, for their alleged support of international terrorism.

Industry executives and analysts say the US action is likely to deter a number of international oil companies from making new investments in the two countries.

But many say the increasing use by Washington of unilateral oil sanctions could lead to structural changes to the international industry. And these could damage the long-term prospects of US oil companies as they seek foreign reserves to replace declining domestic production.

Companies with existing deals in the two countries expect to be exempt from any US retaliation, even if their projects are still in the early exploration phase.

Lasmo, the independent UK explorer, yesterday said it believed the bill would not prevent it from making the necessary investments to bring any discoveries it might make in Libya to the final production phase, a process which could take several years and cost hundreds of millions of dollars.

The company is due to start drilling an offshore exploration well this weekend, and has plans to drill four or five onshore wells over the next year. "We are cautiously satisfied at this moment that we will be able to proceed," said a Lasmo executive.

Libya, however, is not the main target of the US move. Iran, which in the past year has opened nine offshore projects to foreign investment, is more vulnerable, say analysts. Tehran has signed only one big deal, a $600m agreement with Total of France to develop the offshore Sirri field in the Gulf. Total this week said it saw no reason why the US legislation would affect the project, which will be fully implemented, according to the company.

Other big European oil companies have a different view. The Anglo-Dutch Shell group, which had previously been keen to work in Iran but which has large US holdings, has clearly been put off by the US policy. Earlier this year Mr John Jennings, chairman of the London-based Shell Transport and Trading, ruled out any big Iranian investments as long as the US threat of retaliation remains.

"The big guys just have too much at stake in the States," says Mr Robert Mabro of the Oxford Institute of Energy Studies, "and the small oil companies may not have the financial, technical and management resources to tackle the big projects on offer."

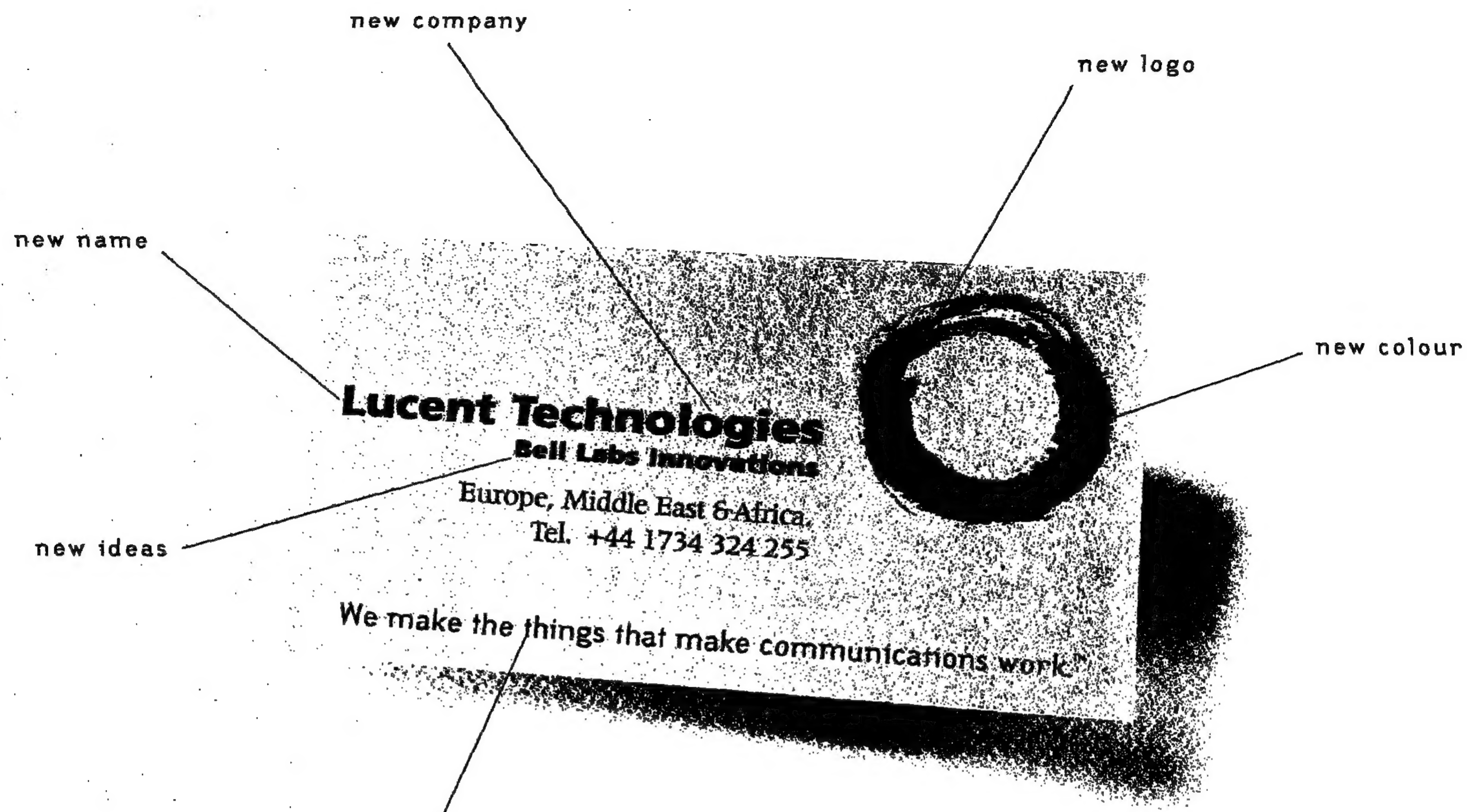
Even companies without any US interests could find it hard to get an Iranian project off the ground. "Where will they get the money from," asks Mr Mabro. "The US financial arm is very long."

Many in the industry believe the US could use similar unilateral sanctions against other unpopular oil and gas producing countries, such as Nigeria or Burma. And that could affect the future commercial prospects of US oil companies.

"European and other international oil companies may think twice before entering into agreements or joint ventures with US companies in parts of the world that might be questionable in Washington's view," says Mr Vahan Zanoyan, an analyst with the Petroleum Finance Company in Washington.

He says that another unintended effect of the US action could be to boost the ambitions of oil companies from emerging Asian countries. "There are lots of Chinese and Indian companies that don't care about what the US thinks."

Mr Subroto, former secretary general of Opec, shares that view. He believes Middle Eastern producers at odds with the US will increasingly turn to Asia for investment, and notes that Pertamina, Indonesia's state oil company, has already decided to invest in Iraq when UN sanctions are lifted.



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South Korea faces bout of labour unrest

By John Burton in Seoul

South Korea will be bracing today for what could possibly be its biggest bout of labour unrest in the last few years.

With public sector workers threatening to join walk-outs that have already crippled the Korean car industry, the government declared the industrial actions illegal and threatened to arrest strike leaders.

Labour unrest could soon spread to the shipbuilding and textile industries, which would further harm an economy that is already showing signs of slower growth.

The surge in disputes is linked to worker demands that the government reform its tough labour laws, which ban a new militant labour organisation, the Korea Confederation of Trade Unions (KCTU). Although the government has promised to revise the labour laws in anticipation of joining the Organisation for Economic Co-operation and Development, disagreements remain on the extent of the reforms.

Most of the unions on strike or threatening industrial action are affiliated with the KCTU. A key demand is that hundreds of workers who have been sacked for supporting KCTU activities be reinstated.

The KFTU claims to represent 440,000 workers, including many in the car and shipbuilding industries and the public sector. The moderate Federation of Korean Trade Unions (FKTU), the sole legal representative of the trade union movement, has 1.2m members.

Public sector workers threatening to strike today include the country's largest union at Korea Telecom, the state telephone company. They could be joined by subway workers in Seoul and Pusan, the two largest cities in Korea, and employees of Korea Mint.

The car industry has already been affected by widespread industrial unrest this week. A strike at Mando Machinery, Korea's biggest car parts company, has led to production cuts at Hyundai Motor, the largest car producer, due to a shortage of components. Workers at Kia Motors and its truck subsidiary, Asia Motors, have gone on strike, while the Daewoo and Ssangyong car companies may follow suit.

The government has waged a harsh battle against the KCTU for the past year by arresting 30 members, including its two co-chairmen, for engaging in illegal labour activities.

The tough response has been criticised by the International Labour Organisation and human rights groups abroad. A new crackdown on the KCTU could harm Seoul's chances of joining the OECD this year since several OECD members have criticised the Korean treatment of union activists.

However, Korean officials are worried about the economic effects of granting official recognition to the KCTU, which is demanding higher pay rises and shorter working hours than those requested by the FKTU. Korean industrial workers are already the highest-paid on the Asian mainland, with an average monthly wage of Won1.2m ($1,500).

The KCTU is also seeking the right for unions to participate in management decisions concerning personnel and plant locations.

Seoul may be forced to delay its admission to the Organisation for Economic Co-operation and Development if the OECD makes "excessive" demands for financial liberalisation, Mr Koo Bohn-young, one of the South Korean government's top economic reformers, warned yesterday, writes John Burton.

Korea could not afford to satisfy all the OECD conditions for membership if it meant harming the economy, he declared. Seoul is facing growing domestic criticism that it is making too many concessions to the OECD following its decision this week to allow greater foreign investment in the stock market.

Japan's economic recovery - a miracle or a mirage?

It looks like lift-off, yet sceptics point to reasons why data seem to overstate actual growth. William Dawkins reports

Tokyo economists and policy makers were asking themselves yesterday whether Japan's economic recovery might be a miracle – or just a mirage.

The question arose as they digested latest government data showing, to everyone's astonishment, that the economy grew at its fastest rate for 23 years in the first quarter of 1996.

The Economic Planning Agency reported an annualised 12.7 per cent growth in the three months to March. It said gross domestic product rose by 5.7 per cent against the same period last year, fuelled by a 5.1 per cent rise in private consumption, a 7.4 per cent increase in corporate investment and a 27.2 per cent rise in government investment.

On the surface, it looks like a decisive recovery from three years' economic stagnation – the longest since the 1930s – and unlike the three false dawns in those three years. Unusually, as the Tokyo office of Merrill Lynch points out, consumers, companies and the government are now spending money at the same time.

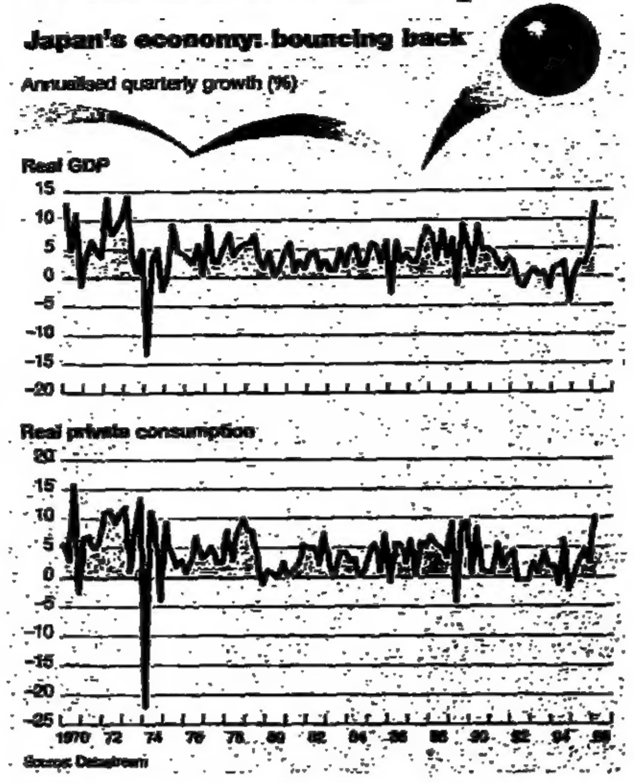
Yet sceptics see reasons why the EPA data overstate actual growth.

■ First, this is recovery from a low base, in the first quarter of last year, when the economy grew just 0.1 per cent. So second-quarter growth this year will not be as strong.

Early last year, the talk was not of recovery but of fears of a slump, triggered by the dollar's collapse to Y79.75 in April. But the dollar recovered, helped by US and Japanese central bank intervention; growth picked up in the second quarter, only to ease in the third and rebound to 2.7 per cent year-on-year in the final three months.

■ Second, Japan's GDP figures are late and notoriously unreliable. Unusually, Japan publishes GDP data two-and-a-half months after the end of the quarter, since it has no central statistical agency. The EPA simply aggregates data collected by 10 government ministries, a labour-intensive task with few adjustments for statistical anomalies.

"There are real quality problems about these figures," says Mr Chris Calderwood, economist at BZW in Tokyo.



Being late, the GDP figures clash with more recent data, showing a 1.1 per cent fall in retail sales and a 3.8 per cent decline in public sector construction starts in April.

Nor do they match the Bank of Japan's own Tankan quarterly survey of business confidence, used by the BOJ as its main guide to the short-term economic outlook, hence the decisive factor in forming interest rate policy.

The most recent Tankan, for May, points to stronger than expected recovery, but cites constraints on growth, such as an increase in unsold stocks held by wholesalers and a surplus of employees at a fifth of companies surveyed.

So it is no surprise that on balance Japanese policy makers yesterday took the view that the spring growth spurt was neither mirage nor miracle, but simply, to their relief, evidence that the upturn of the final quarter of last year is building momentum.

Failure to recover would have been a disaster, given Japan last September got the biggest fiscal and monetary boost in its modern history – a cut in the official discount rate to a record low 0.5 per cent and a Y14,220bn ($132bn) pump-priming package, worth an estimated 1.5 per cent of GDP in new spending.

It is hard to imagine what else the government could have done if the economy had continued to stagnate.

"I am thankful for the figure... we can say the economy is heading for recovery," said Mr Ryutaro Hashimoto, the prime minister. Private sector economists stuck to their full-year forecasts of 2.5-3 per cent.

The consequence of Japan's spring bounce, contrary to fears of investors who have been sending Japanese bond prices down since the GDP data were announced, is likely to be no imminent increase in interest rates. Mr Yasuo Matsushita, BOJ governor, stressed there were no plans to change monetary policy for now.

For the BOJ has no reason to worry about inflation, slightly negative for the seventh quarter in a row, and still has some reason to be worried about the stability of the banking system. Smaller banks' bad loans are still growing as property prices decline.

Moreover, it is not yet clear whether private demand will be strong enough to compensate for the run-down of last September's pump-priming package, a factor in the sharp rise in public spending in the first quarter.

Another constraint on growth, a rise in consumption tax from 3 to 5 per cent, is likely to arrive next April, following an agreement yesterday by an influential government tax panel. So most observers think the BOJ will wait for its next Tankan in September before tightening.

Mr Hashimoto's Liberal Democratic party is planning a smaller fiscal package this autumn to soften the impact of these coming shocks, and possibly to sweeten public opinion for the election LDP elders are contemplating at the end of this year or early next.

Ironically, the strength of the latest GDP data will make it harder for the LDP to persuade the finance ministry to release funds for such a package. The ministry is anxious about the rise in central government debt. So its celebration of Japan's rediscovered economic vitality may not be as innocent as it seems.

ASIA-PACIFIC NEWS DIGEST

Canberra pension allegation denied

An Australian parliamentary inquiry has found no evidence of "insider trading" by members of the Reserve Bank of Australia's investment committee in respect of its in-house pension fund, it said yesterday. The allegation was first raised by Mr Andrew Thomson, a former Liberal party backbencher and now a parliamentary secretary in the new coalition government, last year. This, in turn, led to an inquiry by the Senate select committee on superannuation.

Mr Thomson questioned the propriety of having senior bank officials sit on the investment committee, and implied that they might have used their knowledge of central bank monetary policy to benefit the RBA's Officers' Superannuation Fund in its bond trading activities. He cited the pension fund's performance in 1993-94 in support of these allegations.

Nikki Tait, Sydney

Philippine peace talks to resume

Philippine President Fidel Ramos said yesterday that peace talks with communist rebels were about to resume in the Netherlands, a year after they broke down in a dispute over a detained leftist leader. The announcement came hours after a Manila court ordered the release of Mr Sotero Llamas, a senior figure in the National Democratic Front (NDF) who has been in detention since May 1995 awaiting trial on murder charges.

"I view the resumption of peace talks with guarded optimism," Mr Ramos said in a statement.

The NDF said the talks could not proceed until Mr Llamas was released because he was a member of the negotiating panel trying to end the 27-year insurgency among Moslems in the southern Philippines.

Reuter, Manila

Taiwanese president snubs MPs

Taiwan's government yesterday snubbed MPs who attacked the reappointment of Mr Lien Chan as prime minister and told them to concentrate on their jobs as lawmakers. The presidential office denied any violation of the constitution in retaining Mr Lien Chan as premier without seeking parliamentary approval.

Opposition law-makers, some supported by members of the ruling Kuomintang, have paralysed parliamentary business in protest at the appointment. The presidential office said yesterday that since Mr Lien was not newly appointed as premier nor was the legislature newly sworn in, no constitutional mandate existed for his appointment to be endorsed by the legislature.

The divided parliament had urged President Lee Teng-hui to "renominate a premier as soon as possible" and submit the name for its approval, saying Taiwan's constitution gave it the right to review all cabinet appointments.

Agencies, Taipei

Pakistan budget strike call

Mr Nawaz Sharif, Pakistan's main opposition leader, yesterday called for a nationwide strike on Sunday to protest against the government's "anti-people budget" proposals. Mr Sharif's Pakistan Muslim League has said it will oppose the 1996-97 budget, which is due to be voted on before the end of the month. The financial year begins in July. The Rs500bn ($14.28bn) June 13 budget, announced by Prime Minister Benazir Bhutto's government, levies Rs41bn in new taxes.

Mr Sharif's strike call follows a meeting on Tuesday in which the parliamentary opposition pledged to support a campaign by the former prime minister against the 32-month Bhutto government. Critics from the opposition and business say heavy taxation, including a general sales tax, will force companies to raise prices.

AFP, Islamabad

Vietnam holds its breath for the party congress to start

A battered blue police motorcycle draws up to the kerb of a busy street in Hanoi. From the sidecar a plainclothes officer clutching a megaphone gestures to a vegetable seller to move on. With two large panniers of green celery strapped to the back of her bicycle she lumbers, uncomplaining, away down the street.

This clampdown on street hawking is typical of the way security is being discreetly tightened in the run-up to next week's Vietnamese Communist party congress. A degree of nervousness is natural. The meeting is expected to bring sweeping changes at the top of government; the international business community, whose interest in investment has been flagging recently, is hoping for a new push for economic reform.

Busts of Ho Chi Minh on sale in Hanoi: his legacy of balance in government persists

However, with lack of obvious leadership candidates, the chances are that such hopes will be disappointed. "Vietnam has hit a brick wall – the point where cosmetic change is no longer sufficient," says one east European diplomat. "Real change is required, and this congress cannot provide the answer."

Among diplomats, gossip is rife as to which of the country's top three officials – Mr Do Muoi, 80, the patriarchal party secretary, Mr Vo Van Kiet, 74, the reformist Prime Minister, and the conservative President Le Duc Anh, 76, with his military connections – will move on. So sensitive is the issue in Vietnam's patronage-riven bureaucracy that officials have been all but struck dumb. They would prefer not to have any public discussion at all.

Behind closed doors, though, a process is taking place that in western democracies would be equivalent to the upheaval of a general election. By the time the congress formally assembles on June 28, the die will have been cast and decisions taken that will shape the country for the next five years.

Between now and then, the final rounds in a battle for power will be fought in secret. Decision-making has been paralysed for months in a clampdown on what are perceived as western excesses such as advertising and prostitution.

Conventional wisdom is that this will be a singularly important congress because of the need to cement Vietnam's 10-year reform process. In practice, it is the run-up to the meeting that stands out because of the extreme uncertainty over finding a collective leadership with the right balance to provide continuity.

One of the lasting legacies of Ho Chi Minh, still revered as the hero of North Vietnam's war against the US, was a predilection for balanced government that would ensure stability, and protect the communist party's grip on the nation.

The present leadership is balanced not only in terms of policy inclination and between civilian and military control, but also in regional terms. Mr Muoi is from Hanoi, Mr Kiet from the south and Mr Anh from Hue Province in central Vietnam. Matching that balance while handing on the reins of power to a younger generation is proving a formidable challenge.

The final choice could colour the overall administration. Elevation of General Le Kha Phieu, 65, would add to the influence of military hardliners: that of Mr Non Duc Manh, 56, National Assembly chairman, would please moderates. But officials caution it would be a mistake to expect much change. Even the younger leaders belong to a generation trained by Russians, and whose formative experience was the war against the US.

Amid all the turmoil, precious little attention is being paid to policy. By some counts economic reform has been extraordinarily successful. Growth has averaged 8.5 per cent over the past five years. Inflation, once in triple digits, is below 10 per cent, according to government statistics.

Officials talk of a need to adapt the reform process rather than change it. There is little inclination to move on quickly to more radical reforms such as curbing the role of state enterprises, because these would dilute the party's authority and upset vested interests. Vietnam clings to socialism and state control, not least because giving free rein to the market could be divisive and hand political power to the more entrepreneurial south.

A draft of the political report due to be adopted by the congress fudges the issue of privatisation with glorious gobbledegook. It talks of the need for a "multisectoral economy, along the market mechanism with state management and socialist orientation".

The social chaos and collapse of political authority that followed reform in the old Soviet Union and eastern Europe still strike terror into the heart of Vietnamese cadres. "If we follow the big bang approach, like the Russians, we will fail," says *Mr Do Duc Dinh*, a government economist.

A recent analysis by Peregrine Securities, the Hong Kong investment house, warned reform to date had left lingering weakness, notably a current-account balance of payments deficit of 15 per cent of gross domestic product, twice that of Malaysia and Thailand. Reform needed to be deepened with an end to tax and other privileges for state enterprises, and capital market measures to mobilise domestic savings.

Foreign aid and investment inflows are still sufficient to cover the deficit, so Vietnam has little incentive to confront such challenges for now. The World Bank recently offered it a $1.5bn loan over three years from 1997, but Vietnam has taken up only about 15 per cent of Japan's Y170bn ($1.56bn) in aid commitments since 1993; many diplomats say its honeymoon with aid agencies is cooling.

The congress may be preoccupied with a need for continuity, but by turning a blind eye to the real economic challenge it may sow the seeds of a eventual payments crisis that would force the government to take the very decisions it is now inclined to shirk.

Peter Montagnon and Jeremy Grant

FINANCIAL TIMES

COMPANIES & MARKETS

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Thursday June 20 1996

IN BRIEF

TCI plans satellite television spin-off

Tele-Communications Inc, the US cable television and entertainment group, is to spin off its satellite broadcasting and programming interests into a separate, independent company. Page 20

Sihler set for senior Deutsche Telekom role
Officials in Bonn said Mr Helmut Sihler, a former chief executive of Henkel, the family-owned German chemicals group, was set to become the new head of the non-executive supervisory board at Deutsche Telekom, the world's third largest telecoms operator which is due to be partially privatised in November. Page 16

NTT mini-phone is one to watch

Japan's Nippon Telegraph and Telephone veiled a prototype wristwatch-shaped cellular phone (left) incorporating a dialling system which responds to the voice. To make a call, the user pushes a button on the body and speaks the phone number into the microphone. The voice-recognition system converts the sound into numerical data. NTT said the prototype, at 70 grams, was the world's smallest cellular phone based on the Japanese-developed PHS mobile communications system. It hopes to launch the phone in about 2000 at a retail price of around Y50,000 ($463).

Hennes & Mauritz shares jump on 24% rise
Shares in Hennes & Mauritz, the Swedish fashion retailer, leapt 11 per cent after the company surprised investors by reporting a 24 per cent increase in profits to SKr617.6m ($92.4m) in the six months to the end of May despite weak retail markets in Europe. Page 16

Jardine forges Philippines alliance
The Jardine group, whose diverse companies are listed in Singapore, is pursuing its expansion in Asia through a tie-up between Gammon Construction, its Hong Kong-based construction arm, and Ayala Land, the Philippines' property developer. Page 18

Calpers orders property shake-out
The California Public Employees Retirement System has ordered a shake-out of its underperforming property portfolio in a bid to boost assets, which recently exceeded $100bn for the first time. Page 20

Hyder plans to cut 900 staff
Hyder, the UK multi-utility formed after Welsh Water's £893m takeover of Swalec, the South Wales electricity distributor, is to cut 900 jobs in a reorganisation expected to save £100m ($153m) a year by the end of the century. In London, Hyder's shares rose 5p to 723p. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	1170	+	68
Beiersdorf	1430	+	25
Kaufhof	600	+	35
Falls			
Bilfinger	605	-	25
Degussa	504.2	-	15.8
Hochtief	658	-	17
NEW YORK ($)			
Rises			
Corr Cp Am	62⅞	+	3⅛
Eodo	23⅞	+	3⅝
Safeguard Sci	80¼	+	4⅞
Falls			
Diana	69⅝	-	6⅝
Excel Comm	27¾	-	2¾
Nova	27	-	2⅛
LONDON (Pence)			
Rises			
Automated Sec	39	+	8
PowerGen	476½	+	9½
Victoria Cpt	69	+	5
Falls			
Babcock Intl	85	-	4
Magnum Power	83	-	6
Tams (John)	53	-	6
TORONTO (C$)			
Rises			
Gardiner RSC B	11.05	+	1.20
Softkey Stfware	33.00	+	2.00
Sth West Gold	20.55	+	1.35
Falls			
Architel Sys	9.75	-	0.85
Great Pacific	45.00	-	3.00
Heal Pharm	14.25	-	0.95
PARIS (FFr)			
Rises			
BIC	745	+	24
Canal Plus	1260	+	44
Essilor Intl	1280	+	40
Imm France	320	+	7.8
Falls			
Saco	1282	-	19
Immobanque	686	-	18
TOKYO (Yen)			
Rises			
Mitsub. Bell	697	+	17
Toto	1650	+	40
Falls			
Asahi Chem	798	-	7
Calpis Food	900	-	29
Kureha Chem	631	-	12
Nippon Paint	566	-	12
HONG KONG (HK$)			
Rises			
China Apollo	1.08	+	0.09
M.C. Packaging	3.025	+	0.175
Guoping Motor	2.00	+	0.125
Falls			
China Elegance	2.05	-	0.15
Tse Sui Luen	2.30	-	0.15
Union Bank	7.85	-	0.25
BANGKOK (Baht)			
Rises			
BKK Dusit Med	38.75	+	3.50
Charoong Thai	58.00	+	5.00
Goodyear	418.00	+	38.00
Inoue Rubber	70.50	+	6.00
Falls			
Ayudhya Inv	134.00	-	9.00
Sanyagil Ins	69.00	-	6.00

New York & Toronto prices at 12.30.

Tim Burt unravels the claims and counter claims behind a tale of alleged industrial espionage

The documents in the dustbin

The private investigators from Kroll Associates were pleased with their night's work.

The corporate investigations consultants – employed by the Norwegian engineering group Kvaerner – told their clients they had persuasive evidence of industrial espionage at one of its UK subsidiaries.

For more than four weeks, Kroll had been scrutinising the comings and goings at Davy International, the metals processing business which Kvaerner inherited *following* its £904m ($1.3bn) takeover this year of Trafalgar House. It had also been tailing Mr Roy Tazzyman, Davy International's former chief executive.

Then they had a break. They emptied the dustbins at Mr Tazzyman's Dorset home and found some interesting documents – including faxed letters to senior officials at Voest-Alpine Industrieanlagenbau (VAI), one of Davy's main competitors.

For Mr Eric Tonseth, chief executive of Kvaerner, the papers confirmed suspicions that confi*dential technical and contractual* information was being passed illegally to VAI, part of the Austrian industrial conglomerate VA Technologie.

"I'd never seen anything like it," he said.

The documents gathered from *Mr Tazzyman's dustbins* helped persuade a High Court judge to grant an order enabling Kvaerner to raid the offices of VAI Industries (UK).

Mr Tazzyman, meanwhile, had been installed as the managing director of VAI's UK business – a position which Kvaerner claims he was offered after leaking *details of Davy's strategy* and pricing plans on some large overseas contracts.

VAI and Mr Tazzyman have angrily denied any wrong doing. *Rejecting* Kvaerner's accusations of industrial espionage, they have accused the Norwegian group of employing dirty tricks after losing a $1bn Middle East contract to VAI.

VAI is thought to be considering a counter claim over Kvaerner's raid on its offices

"Any *sugges*tion that VAI Austria's recent success was attributable to the wrongful use of information about Davy's bid is completely denied."

Moreover, it suggested Kvaer*ner was angered that VAI had* recruited a number of its top metals processing executives following the decision last year to close Davy's offices in Poole, Dorset.

The Austrian company is thought to be considering a counter claim over Kvaerner's raid on its offices.

Kvaerner, however, remains unrepentant. *It* claims to have seized more than 2,000 Davy documents, technical drawings and computer discs from VAI. Twelve *boxes of papers were taken* away, some of them hidden in toilets and company cars.

The legal row has surprised some analysts, many of whom are used to a more sedate approach from Kvaerner.

"People are amazed at what's going on," said one analyst. "Eric Tonseth is obviously pretty cross and looks determined to win damages."

Another analyst said: "I've never seen anything like it. This *sort of thing* is not often played out in the UK, at least in public."

Kvaerner yesterday stepped up its campaign against VAI by issuing writs against Mr Horst Weisinger and *Mr* Richard Guserl, chief executive and finance director respectively of the Austrian company.

The High Court writs, similar to those served already against Mr Tazzyman and other VAI employees, involve claims for damages and an injunction preventing the executives from disclosing, hiding or destroying any documents belonging to Davy.

Although VAI has vowed to fight the action, it said in a statement that it "would treat very seriously the discovery at its premises of any employee infor*mation belonging to a competi*tor".

Kvaerner, however, claims that Davy information was going right to the top of VAI, and was not restricted to a rogue operation at its UK offshoot.

Mr Tazzyman, who has also been accused by Kvaerner of poaching Davy employees, believes he lost his job for opposing Kvaerner's plans to close its Dorset offices with the loss of 450 jobs.

"This is a case of sour grapes," he adds.

Kvaerner, however, says he was asked to resign following mounting losses at the subsidiary.

Davy last year reported operating losses of £64.6m, the largest single factor behind a £174.7m *operating loss* at Trafalgar's engineering division.

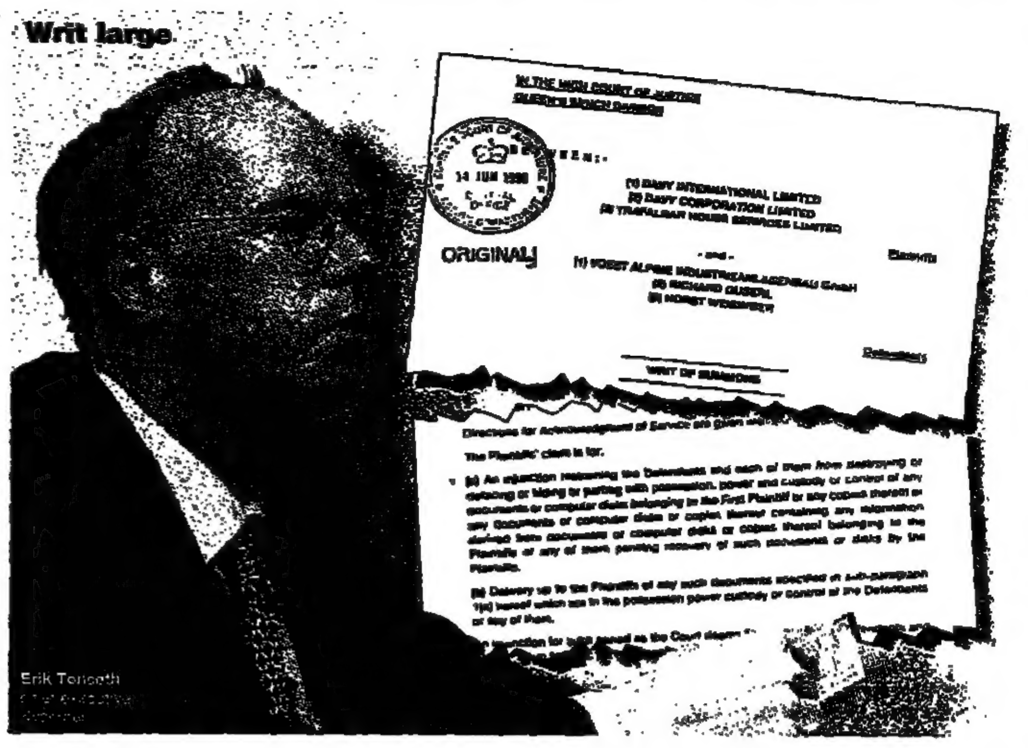
Davy International, which designs and supplies equipment for steelmakers and other metal processors, joined Trafalgar as part of the ill-fated acquisition of Davy Corporation in 1991. Whereas most of the rest of Davy was integrated into Trafalgar House, Davy International was left largely independent.

Senior Kvaerner *officials* say they have changed the management structure to prevent any further loss of business, with middle managers now reporting to a more tightly controlled executive team.

In the meantime, it has committed *significant* resources to "protect our rights" against VAI.

"It could take two years to get a result from the courts," predicted one official.

VAI *rejects the espionage* claims: "Any such suggestion is untrue and will be shown at the trail of this matter to be without any foundation."



Writ large

Erik Tonseth

Coca-Cola ends link with Nordic producers

By Greg McIvor in Stockholm

Coca-Cola yesterday ended a half-century collaboration with its local partners in Sweden and Norway, saying it would build its own production facilities in the two countries as part of a stand-alone strategy.

The announcement will trigger restructuring at Pripps Ringnes, which relies on the US group's *products for SKr2.7bn ($404m),* or 35 per cent, of its turnover. The company, controlled by Orkla of Norway, said it would have to make 1,400 redundancies – or 20 per cent of its 7,000 workforce.

Pripps Ringnes, which is to receive a SKr1.1bn severance settlement from Coca-Cola, was formed *last year by the merger* of Pripps of Sweden and Ringnes of Norway.

Mr Paul Bergqvist, the group's managing director, put on a brave face, saying profits after financial costs would be in line with last year's pre-tax figure of SKr535m *once* the phase-out was complete. He said the Swedish operations would cost about SKr200m to wind down and the Norwegian cost would be "somewhat higher".

He said differences had arisen *with Coca-Cola over the* production and distribution operations in Sweden and Norway. Coca-Cola had wanted part-ownership of Pripps Ringnes, while the company was *determined* to remain independent.

Coca-Cola appeared uncomfortable with the dominance of Pripps Ringnes in the domestic market. *In Sweden, it has 85 per* cent of the carbonated drinks sector and a leading position in beer and mineral water in both countries.

One analyst said of Coca-Cola's move: "The extent to which it will hurt Pripps Ringnes will *depend largely on* whether Coca-Cola will be aggressive and put pressure on prices. Then the remaining soft drinks business will be extremely vulnerable."

In December, Coca-Cola and Pripps had a public disagreement after the US group withdrew from its Swedish production and distribution deal. The dispute prompted Pripps to shut *briefly its Coca-Cola* bottling facilities, although negotiations later resumed.

Coca-Cola's arrangement with Pripps dates back 42 years, while collaboration with Ringnes goes back 58 years. Under yesterday's agreement, Pripps Ringnes will *produce, sell and distribute* Coca-Cola products until March next year. Thereafter, it will bottle the US group's brands until the end of 1998.

Coca-Cola plans to build a new production facility in Stockholm and another in central Norway.

ASC issues Internet share warning

Australian regulator alerts 1m users to possible swindles

By Nikki Tait in Sydney and Paul Taylor in London

The Australian Securities Commission, the country's securities industry regulator, yesterday issued a formal warning to the estimated 1m Australian Internet users about "unsubstantiated securities information" published to entice investors to buy shares.

"The ASC is particularly concerned that securities recommendations are being made by people who may not be licensed investment advisers and, as a result, not qualified, and that such recommendations might include *information which is false or mis*leading, or which repeats baseless rumours," it cautioned.

The ASC said it had identified or investigated a number of cases but was convinced there were "a lot more out there".

In the US there have been a number of high-profile cases involving state and federal regulators prosecuting individuals for selling unregistered securities – in one case involving shares in a coconut plantation in Costa Rica.

However, successful prosecutions are difficult because it is hard to track computer messages on the Internet and often impossible for investors to tell with whom they are dealing or where those people are.

The US Securities and Exchange Commission and state regulators have been working through the North American Securities Administrators' Association to handle the swindlers using electronic media to lure potential investors.

Last Autumn, the SEC and state agencies filed civil charges against people allegedly using electronic media to *manipulate* stock prices, promote chain letters, *sell* shares in a non-existent mutual fund and an imaginary eel farm.

In Australia, *a couple of com*puter-based share scandals have come to light recently, although the ASC acknowledges that some have emanated from overseas.

A few months ago, for example, a Geelong-based web site operator claimed shares in three small oil exploration groups were set to rise after a "monster oil find" near the Philippines. The report was discovered by an ASC enforcement operator and removed within hours when one of the companies denied it had any substance. Similar problems came to light with a Ballina-based share-tipping operation.

The ASC admits that the mining and resources sector, which accounts for about one-third of the All-Ordinaries index, is particularly susceptible to share-ramping, but says problems have surfaced in other areas as well.

To date, no prosecutions have *been launched and the regulator* acknowledges the difficulty in tracing the source of misleading reports, and the tendency of culprits to plead ignorance.

Nevertheless, "companies and *individuals* who are *not* licensed dealers or investment advisers who make recommendations or provide unsubstantiated information on securities through the Internet" were breaching the Corporations Law, it said.

"The full range of Corporations Law *provisions . . . will* be enforced," it stressed.

In recent months, the SEC has made a series of statements on what sort of investment business *can be conducted over the Inter*net or other computer systems.

These include providing a prospectus for a stock offering, price quotes for securities or mutual *funds, advertising investment* opportunities and sending *account statements* or portfolio details. In addition, brokers can send investors research reports.

CLT chief quits over structure at merger with Ufa

By Judy Dempsey in Berlin and Raymond Snoddy in London

Mr Michel Delloye, chief executive of CLT, the international media group, resigned yesterday *following disagreements* over the management structure being put in place to run the company created out of the merger of CLT and Ufa, Bertels*mann's television division.*

The proposed new management structure will consist of two general managers, one from CLT and one from Bertelsmann, plus two *representatives of the sharehold*ers of both groups.

Mr Delloye, who became chief executive of Luxembourg-based CLT in 1992, believed a single vision and a much more clear-cut decision-making process was required.

CLT and Ufa announced two months ago that they would merge, creating one of Europe's largest broadcasting networks with annual sales of DM5bn ($3.3bn).

Ironically, Mr Delloye was instrumental in putting the CLT-Ufa *deal together after a meeting* at Frankfurt Airport with Mr Michael Dornemann, the Bertelsmann *director* responsible for television. An agreement to merge was hammered out in two days of negotiations.

CLT and Bertelsmann will announce next *month that the* two general managers will be Mr Remy Sautter, head of CLT's *radio interests,* and Mr Rolf Schmidt-Holtz from Bertelsmann.

Mr Delloye believes the merger of CLT and Ufa was the right thing to do and is convinced that *it will go ahead without him.* He will leave CLT in a few weeks and seek a job in the media.

Yesterday, Bertelsmann played down the resignation of Mr Delloye and emphasised that the merger of CLT and Ufa would happen.

"We knew for some time that he [Delloye] *would be resigning.* The CLT-Ufa merger is not in danger. Why should it be?" said Mr Nikolaus Formanik, a Ufa official.

Bertelsmann *concedes Mr* Delloye was instrumental in agreeing to CLT's merger with Ufa. This took place just days after Bertelsmann, Mr Rupert Mur*doch's* BSkyB, Canal Plus, the French commercial television channel and Havas, the French media group, formed an alliance aimed at launching a Europe-*wide digital pay-tv network.* The alliance is in question following BSkyB's decision to pull out of it this month.

Even though the CLT-Ufa merger is expected to survive Mr Delloye's resignation, there are doubts about whether it will obtain the green light from the European Union's competition authorities, or if it will be *accepted* by *Germany's Länder,* or states, which are revising the country's State Broadcasting Treaty. The current law restricts ownership to 49 per cent of a TV network which would invalidate the CLT-Ufa merger since the new company would own more *than 80 per cent of RTL,* the German commercial channel.

"We are optimistic about Brussels," said Mr Formanik, adding that CLT and Ufa were close to putting the finishing touches to the merger agreement, due to be signed this month.

***Bertelsmann faces* need to rebuild bridges, Page 17; Observer, Page 13; Lex, Page 14**

Sihler to head Telekom supervisory board

By Michael Lindemann in Bonn

Mr Helmut Sihler, a former chief executive of Henkel, the family-owned German chemicals group, is set to become the new head of the non-executive supervisory board at Deutsche Telekom, the world's third largest telecoms operator which is due to be partially privatised in November.

Officials in Bonn said Mr Sihler, 66, was yesterday recommended to a meeting of Chancellor Helmut Kohl's cabinet, which will make the final decision about the appointment because the government still owns 100 per cent of Deutsche Telekom.

Shares representing 17 per cent of the company's equity are due to be listed on international stock exchanges in November, in a public offering of shares expected to be worth about DM15bn ($9.7bn).

Deutsche Telekom itself declined to comment on Mr Sihler's possible appointment. However, a final decision must be reached on July 1, when its 21-strong supervisory board – half of which is made up of employees – next meets.

Mr Sihler, who left Henkel in 1992, will step down from his position as head of the supervisory board at Deutsche Post, the federal postal service, to take up the Deutsche Telekom position, officials said.

He is also head of the supervisory boards at Porsche, the sportscar maker, and Degussa, the industrial and chemicals group.

The nomination of Mr Sihler, an Austrian, comes just two days after Mr Rolf-Dieter Leister, a former head of IBM in Germany, said he was stepping down for personal reasons, a decision which surprised Deutsche Telekom executives and politicians alike.

Unlike Mr Leister, who had advised Deutsche Telekom since 1983, Mr Sihler has no previous telecoms experience. His quick appointment is likely to ensure, however, that there is no speculation about vacant positions at Deutsche Telekom just months before its partial privatisation.

Mr Sihler has developed something of a name for himself as the first non-family member at a number of Germany's best-known family-owned companies.

In 1980 he became the first person outside the Henkel family to take over at the helm of the Düsseldorf-based chemicals group, while in 1993 he became the first person outside the Porsche family to take over as head of the Porsche supervisory board, succeeding Mr Ferdinand Porsche who stepped down aged 82.

Skis Rossignol ahead 19% despite fall in global market

By David Owen in Paris

Skis Rossignol, the French ski maker, yesterday reported a 19 per cent increase in profits, helped by improved market shares in all its product lines.

The Voiron-based group reported net income of FFr115.7m ($22.48m) for the year to March 31, compared with FFr97.2m in 1994-95. Operating profits were ahead 13.3 per cent at FFr212.3m, against FFr187.3m. The dividend is to be increased by 36.4 per cent to FFr30 a share, against FFr22 paid in 1994-95.

Rossignol said the result confirmed it as leader in the FFr10.7bn world winter sports market. "The global market is in decline, and yet we increased our sales", said Mr Jean-Jacques Bompard, company secretary.

The group's turnover climbed 13 per cent to FFr2.12bn, against FFr1.88bn in 1994-95. Net debt fell 10.3 per cent to FFr459.9m from FFr513.1m.

The company last year sold 1.4m pairs of skis and now claims 39 per cent of the alpine ski market. It also sold 72,000 snow-boards – a new activity – and hopes to expand sales 70 per cent in the coming season. It said annual sales of snowboards were now running at about 1m.

The group sold 270,000 Rossignol brand ski bindings and a further 538,000 under the Look brand name. Golf sales rose 6.9 per cent to FFr146m, while sales of tennis equipment were stable at FFr21m.

The company is preparing to launch a roller skate under its own brand name. This follows last year's FFr25m acquisition of Meran, an Italian skate maker.

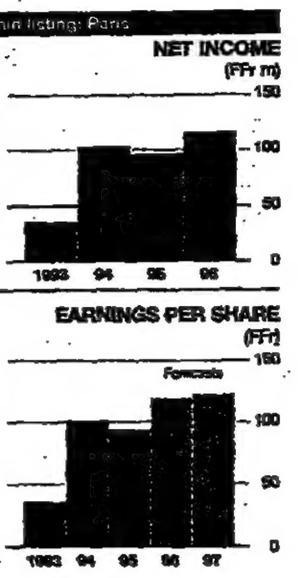
Yesterday's disclosure came a month after Salomon, Rossignol's arch rival and the world's largest manufacturer of ski bindings, posted a 28 per cent increase in net income.

The result was spurred by a 50 per cent advance in sales of Taylor Made golf clubs and improved productivity in its alpine ski division. Like Rossignol, Annecy-based Salomon proposed a net dividend of FFr30 a share.

PROFILE:
SKIS ROSSIGNOL

Market value: $379.8m | Main listing: Paris

Historic P/E (1995)	16.68
Dividend yield	1.16%
Earnings per share	FFr94.64
Current share price	FFr1,943



Source: FT Extel, Datastream, Reuter

AssiDomän in Russia venture with Stratton

By Hugh Carnegy

AssiDomän, the Swedish pulp and paper group, yesterday announced a significant strategic move into Russia in harness with the Bahamas-based investment company Stratton – the company with which it fought a battle last year for control of Sepap, the Czech paper producer.

Assi is buying a 50 per cent share in Stratton Paper, which earlier this year took control of Segezhabumprom, Russia's biggest producer of paper sacks. The Swedish group, itself the biggest European manufacturer of paper sacking and "kraft" corrugated packaging material, will oversee the overhaul of Segezha's production, marketing and exporting.

Stratton and Assi – which declined to reveal the price it paid for its share in Stratton Paper – plan to raise $100m to invest in Segezha, located in Russia's north-western Karelia region, next to Finland. They are negotiating with multilateral organisations for financial backing, including the World Bank, the EBRD and the Nordic Investment Bank.

The move is Assi's third big venture eastwards following its investment in Sepap and a paper sack operation in Turkey. Its purchase last year of a 39 per cent stake in Sepap was thrown into question when Stratton acquired a 51 per cent share. After an acrimonious dispute over Sepap's future, the two groups agreed to co-operate in the running of the Czech company.

Assi said the Segezha investment was part of a "very long-term" strategy of commitment to eastern Europe. The Segezha plant has a capacity of 450,000 tonnes of sack paper a year, and can turn out up to 1bn paper sacks. It employs 6,000 people. But it is currently running at 20 per cent of capacity following the collapse of demand in Russia – and most of present output is sold on a barter basis. Although Assi sees the revival of domestic demand taking years, it sees earlier prospects for exports from Segezha.

● Harvard Group, the Prague investment management company run by the Bahamas-based Czech businessman Mr Viktor Kozeny, yesterday merged its six privatisation funds into one industrial holding company, writes Vincent Boland in Prague.

The merger, which Harvard said would cut administrative costs, increase operational capital and "enlarge the scope of business activities", will also allow the new company to avoid the impact of rules promoting minority shareholder interests that take effect on July 1.

Industrial holding companies are exempt from the rules, which require detailed disclosure of a company's or fund's activities. Following the merger, Harvard is expected today to complete the takeover of the Czech glass company Sklo Union, in which it already holds a majority stake in alliance with Stratton, the investment company owned by the Bahamas-based businessman Mr Michael Dingman.

Swedish retailer lifts profits 24% at halfway

By Hugh Carnegy in Stockholm

Shares in Hennes & Mauritz, the Swedish fashion retailer, leapt 11 per cent yesterday after the company surprised investors by reporting a 24 per cent increase in profits in the six months to the end of May, despite weak retail markets in Europe.

Pre-tax profits in the half rose from SKr498.5m ($75.18m) to SKr617.6m, on sales up 7 per cent from SKr7.2bn to SKr7.8bn.

Earnings per share increased from SKr7.83 to SKr9.70.

Analysts had been expecting a surplus of around SKr560m and investors rushed to cash in on the surprise strength of the result.

H&M shares surged SKr57 on the Stockholm bourse to close at SKr572.

Mr Stefan Persson, H&M's chief executive and controlling owner, said the company had been successful with its seasonal ranges of clothes, allowing it to increase sales in the face of a generally weak retail trend.

H&M, based on a strategy of offering attractive high street fashions at a competitive cost, said sales rose 15 per cent when currency fluctuations were taken into account. It increased sales in local currency in every country.

The group, Sweden's leading international retailer after the furniture chain Ikea, has more than 400 stores spread widely across Europe, with 74 per cent of its sales during the period outside Sweden.

It plans to open a further 30 stores before the end of its financial year in November – adding to the 27 stores opened in the first half at a cost of SKr345m.

Mr Persson said that he did not foresee any significant improvement in the retail outlook in the short term.

He declined to say when the trend might turn around – but said that H&M tended to perform better than the industry average during poor market periods.

NEWS DIGEST

Crédit Foncier lines up buyers

Crédit Foncier de France, the troubled specialist property bank, is in "serious" contact with five possible buyers, according to Mr Jérôme Meyssonnier, chairman. Mr Meyssonnier made the disclosure in an interview with La Tribune Desfossés, the French financial daily newspaper. He said the best solution for the group would be "perhaps not one, but several – preferably European – supporters".

He said it was important that any buyer be of substantial size. "I would not be undertaking this reform if I did not believe profoundly in the role and place of Crédit Foncier and in its capacity to be competitive," he said.

His comments came less than a week after the bank's auditors provided a highly unusual qualification to the 1995 annual accounts, saying they were unable to quantify the impact of a series of different elements which explained the bank's FFr13.6bn ($2.64bn) in new provisions.

In comments which underlined the complexity of its restructuring, the auditors also said they were unable to state the bank's continued operation was guaranteed because it had negative equity of FFr2.5bn and a solvency ratio well below the internationally accepted regulatory minimum.

Mr Meyssonnier said in the interview he acknowledged a margin of error of about 10 per cent in the provisions the group had taken.

The French government has been discussing a number of rescue options, including a possible takeover ahead of a deadline of the end of July set by the minister of economics and finance.

The group, whose annual general meeting is scheduled for the end of this month, reported losses of FFr10.8bn for 1995 after taking substantial provisions from changing its accounting policies, reducing its property assets to current market values and allowing for future costs against loans it judged unlikely to be recovered. *David Owen, Paris*

European IT M&A value jumps

The value of European information technology merger and acquisition deals in the first half of the year jumped by 30 per cent to $25.3bn, according to Broadview Associates, the M&A specialists. Broadview estimated there were 667 deals in the sector in the first half, reflecting particularly strong activity in the UK.

One of the most active sectors was Internet-related deals which jumped to 25, compared with 12 a year earlier. Overall valuations grew by between 10 per cent and 20 per cent reflecting the rise in US and European stock markets, the economic strength of most IT markets and the consolidation apparent in markets such as media and content services where the value of deals quadrupled to $9bn, from $2.2bn a year earlier. *Paul Taylor*

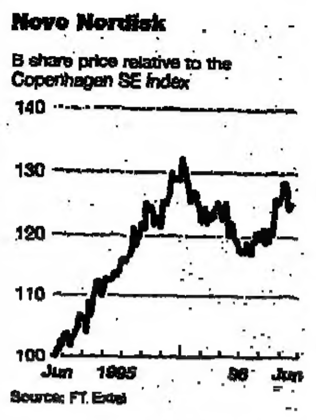
Ericsson upbeat on mobile phones

Ericsson said it estimated market penetration for mobile phones in the US would double to 20 per cent by 2000 from the current 10 per cent, with the company retaining its 30 per cent market share. In an interview with the news agency Direkt, Mr Bo Hedfors, head of Ericsson's US operations, said the number of new subscribers for digital mobile networks was growing by almost 3m a month.

"At the beginning of the year, there were more than 17m subscribers in the digital mobile networks in the world. Today the figure is 26m with the pace of growth of almost 3m new subscribers per month," Mr Hedfors said. He he estimated prices of digital mobile telephones would continue to fall around 20 per cent per year. *AFX News, Stockholm*

NEWS DIGEST

Novo Nordisk plans shake-up



Novo Nordisk, the Danish pharmaceuticals and enzymes manufacturer, plans to make cost savings of between DKr300m and DKr700m ($51m-$120m) a year by rationalising its global service and staff functions, according to Mr Henrik Gürtler, an executive director. He said that assuring cost efficiency and satisfactory profitability would close the only gap that existed in the group's defence against takeover or merger with an international pharmaceuticals group, a fate which has frequently been predicted for Novo Nordisk. But as the voting majority is controlled by the Novo Foundation, a hostile takeover is impossible. Mr Gürtler said the only situation in which Novo Nordisk's independence could be threatened would be if it ceased to earn adequate profits to satisfy the Novo Foundation. The rationalisation of service and staff functions follows a similar exercise in 1994 and 1995 for the sales and production operations. The programme covers costs of about DKr3bn and involves some 5,000 employees worldwide. Most people made redundant would be found new jobs within the group, Mr Gürtler told the FT. But he did not rule out some dismissals, saying decisions would be made in the autumn.

Hilary Barnes, Copenhagen

Croatian bank sets GDR price

The international share placement for Zagrebacka Banka, Croatia's second largest bank, was priced yesterday at a range of $7.27 to $8.59 per Global Depositary Receipt, valuing the bank at $210m to $248m. The issue is for 10 per cent of the bank's shares and is being arranged by Union Bank of Switzerland, which will buy 2 per cent of the stock. UBS will also make a market in the GDRs on Seaq International. A roadshow begins today and the placement is due to close on June 27. Zagrebacka also announced its 1995 results. The commercial banking side made a profit of 124.3m kunas ($22.6m), but at group level there was a loss of 184.3m kunas, mainly due to heavy provisions against equity investments in tourism. Assets were 17.1bn kunas at the end of 1995 and shareholders' funds were 1.6bn kunas. Mr Franjo Lukovic, president, said profits for 1996 would rise to 158m kunas.

Gavin Gray, Zagreb

New Africa Investments up 95%

New Africa Investments (Nail), South Africa's biggest black-controlled business, posted a 95 per cent rise in attributable income to R167.7m ($38.6m) for the six months to March, compared with R9.3m previously. The results reflected an exceptional profit of R157m from the listing of its wholly-owned financial services group. Earnings per share excluding the exceptional item rose 28 per cent to 2.69 cents a share from 2.1 cents. The interim dividend was up by 42 per cent to 1.77 cents from 1.25 cents.

Metropolitan Life, its subsidiary, made strong gains in the growing black insurance market. Operating income rose by 30 per cent to R17.4m from R13.4m last time as the group's other interests, notably New Africa Publications, owner of The Sowetan daily tabloid, reported a strong performance. Nafhold – which includes Nail's stake in MetLife, African Bank and DLJ Pleiade, the merchant bank – was listed in October. The exceptional gain was due to the sale of 32 per cent of the new holding company to various institutions for R575m. The listing also led to the restatement of MetLife, boosting the total value of listed investments to R1.2bn from R579m. The group had also revalued its unlisted investments by 33 per cent to R234m from R176m, despite selling half its 20 per cent stake in MTN, the cellphone network operator, to SBC, the US telecoms group, last August.

Mark Ashurst, Johannesburg

Chargeurs upbeat on Pathé

Chargeurs, the French conglomerate, said its communications activities, to be demerged from June 24 as Pathé, are expected to post a positive result in the first half and the full year of 1996. Chargeurs International, which will hold Chargeurs' industrial operations, would experience a decline in its wool business. Mr Eduardo Malone, Chargeurs International chairman, said wool sales were expected to fall 10 per cent in the first half, after falling 30 per cent in the second half of 1995.

AFX News, Paris

■ Mr Luciano Benetton, chairman of Benetton, said 1996 net profits would to be higher than 1995's L220bn ($143m). Sales would be unchanged from 1995's L2,940bn. *AFX News, Milan*

Bertelsmann faces need to rebuild bridges

Germany's leading media conglomerate has fallen out with its allies, reports **Judy Dempsey**

Hours after the Munich-based Kirch group announced plans last week to launch digital pay-TV in July, Bertelsmann, Germany's largest media conglomerate and Kirch's arch-rival, responded in an increasingly common manner for the north German group: with derision.

Bertelsmann officials criticised DF1, Kirch's digital pay-TV network, arguing it offered the consumer little that was new. One official said DF1's programming was weak since there were no specialist packages available, adding that the viewer could not videotape movies.

The criticism may have more to do with *Schadenfreude* as Bertelsmann licks its wounds after a number of recent setbacks, the latest being the resignation yesterday of Mr Michel Delloye, chief executive of Compagnie Luxembourgeoise de Télédiffusion.

Mr Delloye helped forge a merger between CLT and Ufa, the television division of Bertelsmann, but disagreed over the management structure of the new company – in particular the fact that the company will be run by a management committee made up of two general managers and two representatives of shareholders. His resignation could raise doubts about the merger's future.

Another setback, serious for Bertelsmann's plans to expand into international television, was the decision by BSkyB, the television channel controlled by Mr Rupert Murdoch, to pull out of Newco, the digital pay-TV alliance forged last March between BSkyB, Bertelsmann, Canal Plus, the French commercial television network, and Havas, the French media group.

There were recriminations all round. One analyst familiar with the negotiations yesterday said working with Bertelsmann was like "wading through porridge. The group is really heavy-going and bureaucratic. It is ambitious. But it still does not know how to run television."

But then, Bertelsmann's strengths were never in television. Two years ago, it was only with the financial backing of Mr Murdoch that Vox, the German group's bankrupt commercial television channel was saved. And it was CLT, not Bertelsmann, which until recently called the shots at RTL, Germany's most successful commercial television network owned jointly by Bertelsmann and CLT.

Its strengths, instead, are in book and music publishing and book clubs. Together these divisions account for nearly two-thirds of total turnover at the group, which last year made net profits of more than DM817m ($539m) on turnover of DM20bn. But Mr Michael Dornemann, a Bertelsmann board member responsible for television, always had his sights on forming an international television network, despite the group's poor record in this medium. He was backed by Mr Mark Wössner, chairman of Bertelsmann.


Mark Wössner: backed idea of international TV network

European non-terrestrial television 1995

Country	TV households (m)	% Multichannel of TV homes[4]	% of TV homes passed by cable	% of TV homes with dishes
Austria	3.093	56	54	27
Belgium	3.795	97	98	1
Denmark	2.248	70	76	11
Finland	1.96	52	71	6
France	21.525	27[1]	30	2
Germany	32.479	73	73	25
Greece	3.348	1	0	1
Ireland	1.036	67	87	6
Italy	19.843	5[2]	0	1
Netherlands	6.5	94	95	4
Norway	1.765	46	49	11
Portugal	3.485	5	6	4
Spain	11.767	9[3]	9	0
Sweden	3.958	59	56	9
Switzerland	2.576	92	91	5
UK	22.508	21	26	16
Total	141.686	40	41	10

[1] Canal Plus, [2] Telepiu, [3] Canal Espana, [4] Multichannel includes terrestrially delivered pay services. Source: James Capel

As if these setbacks were not enough, Bertelsmann had to swallow its pride following Kirch's announcement that it would go ahead with the launch of DF1 in July, regardless of the fact that German viewers could be faced with two competing decoding systems – if and when the Bertelsmann-led consortium, Multi-Media Betriebsgesellschaft (MMBG) launches its digital TV system this year. Kirch was not prepared to wait for the competition, believing it had the edge on Bertelsmann.

"You need three important ingredients for digital pay-TV," says Mr Tom Hall, media analyst at Deutsche Morgan Grenfell. "These are programming rights for music and sports, a good network and an efficient encryption technology." Analysts believe Kirch's DF1 has the structure in place.

The same cannot be said about the MMBG consortium, which includes Deutsche Telekom, Germany's state-owned telecommunications network, ARD and ZDF, the state television channels, Canal Plus and others.

MMBG is supposed to provide a standardised technology for the set-top box for decoding signals that allows the viewer access to pay-per-view services. It has already ordered 100,000 decoders but its programming is not yet ready. "I can assure you, everything is going really well," said Mr Nikolaus Formanik, spokesman for Ufa, the television division of Bertelsmann.

The reality tells a different story. Bertelsmann has yet to obtain the go-ahead from the European Union's competition authorities for the CLT-Ufa merger.

That alliance, hastily put together last April, would create one of Europe's largest broadcasting networks, giving CLT-Ufa the chance to produce more programmes and purchase collectively.

But that alliance has put Bertelsmann on a collision course with Canal Plus, a partner with Bertelsmann in the MMBG consortium and in Newco which, according to Bertelsmann, will still continue despite Mr Murdoch's decision to pull BSkyB out.

In essence, the CLT-Ufa alliance, which will broadcast by satellite and soon through digital-TV following the establishment of CLT's new broadcasting centre in Luxembourg would be in direct competition with Canal Plus, a partner in MMBG and Newco.

Partners would also be at loggerheads over film rights, with CLT-Ufa buying films in direct competition with Newco and Premiere, Germany's only (analogue) pay-TV jointly owned by Bertelsmann, Canal Plus and the Kirch group.

"Bertelsmann has got itself into a situation where their allies are competing against each other," one analyst says.

"It is bizarre because here is a company which is known for its conservatism and then suddenly it goes all over the place, pitting friends against friends, turning them into enemies. It has a lot of bridges to rebuild."

Reshuffle at Ford European operations

By Wolfgang Münchau in Cologne

Sir Alex Trotman, chairman of Ford Motor Corporation, yesterday announced a wide-ranging reshuffle of top management at the company's European operations, after the retirement of Mr Albert Caspers, 63, as chairman of Ford-Werke, the company's German unit, and as chairman of Ford of Europe.

Mr Caspers will be replaced at Ford-Werke by Mr William Boddie, executive director of the European vehicle centre in Cologne. Mr Edward Hagenlocker, president of Ford Automotive Operations in the US, will also be chairman of Ford of Europe.

The retirement of Mr Caspers, who took over as chairman of Ford-Werke three years ago, has been widely anticipated in the German motor industry.

Sir Alex yesterday paid warm tribute to Mr Caspers, whom he called the driving force behind the increase in Ford's German market share from from 9.3 per cent to 11.3 per cent in the past year. After his retirement Mr Caspers will take over as supervisory board chairman to ensure a smooth management transition.

Isetan hangs on to heritage by a thread

A tiny stake is the only link left between the troubled Japanese retailer and its founding family

When, in 1984, Mr Kuniyasu Kosuge took the helm of Isetan, a Japanese high-street retailer which his great grandfather founded in 1886, he had grand designs to turn it into a multi-faceted conglomerate. "He was young and ambitious and he wanted to do new things," one company official says.

However, his ambitions were thwarted by the popping of the economic "bubble" in the early 1990s, and in 1993 he was moved from his post as president to honorary chairman after over-expansion left the retailer with larges debts.

With Mr Kosuge's pet project, a tie-up with Barney's the New York retailer, landing Isetan in a highly-publicised legal battle and forcing it into its first net loss since 1961, he has now volunteered to resign from Isetan's board.

Until Mr Kosuge handed over the presidency three years ago, his family had always reigned over Isetan. Mr Kosuge's departure from the board, which will be finalised this month, will mean that a 0.43 per cent stake held by the founding family will be all that binds it with the company.

In a culture where business leaders in their fifties are thought to be immature, Mr Kosuge, who was 38 when he took over from his sick father, was perceived by some members of the business community to be too young to head a prestigious retailer.

During the 1980s, Mr Kosuge aggressively promoted the retailer's expansion overseas, opening new stores in Taiwan, Shanghai and London. The company also flirted with resort development, art dealing and finance. But the end of the bubble economy in 1990 hit the retailer.

In 1992, sales fell for the first time. Unable to cut costs and facing rising interest payments, the company posted a 64.5 per cent fall in unconsolidated recurring profits (before tax and extraordinary items).

Mr Kosuge's inability to deal with Shuwa, a stock and property speculator which had been accumulating Isetan's shares since the late 1980s and was threatening to sell them to the retailer's rivals, sealed his fate.

In 1993, as Shuwa was poised to sell its stake to Ito-Yokado, a national supermarket chain, Mitsubishi Bank, Isetan's leading creditor, stepped in.

The bank was reported to have arranged for Mitsubishi group companies to buy the Isetan stock from the speculator, and sent in three of its officials to help rebuild the retailer's business.

Mr Kosuge was replaced by Mr Kazumasa Koshiba, a veteran of 35 years' service at Isetan, who specialised in sales and administration and had a reputation as a tough negotiator. By then, the company's debts had swollen to Y120bn ($1.1bn) due to the rapid expansion.

Kuniyasu Kosuge, left, was replaced as Isetan's president by Kazumasa Koshiba in 1993

But Mr Kosuge's investments continued to haunt the company. For the year ending in March 1994, the retailer posted a special deficit of Y9.7bn for losses at Isetan International Finance, an Amsterdam-based finance company created by Mr Kosuge in 1988. Mr Kosuge had installed Mr Nobuo Nakanishi, a colleague from Mitsubishi Bank, as president, but the company's fortunes on the currency market turned sour, leading to large losses.

After his appointment as president in 1993, Mr Koshiba began reviewing operations at affiliates, including Isetan's venture with Barney's. The 1989 agreement between Mr Kosuge and the Pressman family which owns Barney's was part of Isetan's strategy to become a sophisticated international retailer. Isetan had funded Barney's expansion in the US, but the US group had become a liability.

In 1994, Mr Koshiba turned down requests for money from the New York retailer. Barney's subsequently stopped rent payments on its stores, and early this year filed for bankruptcy.

The two retailers are embroiled in a legal tussle, with both sides suing each other over the agreement. As a result, for the year to last March, Isetan incurred an unconsolidated net loss of Y31.8bn, covering Y34.3bn in write-offs associated with Y30.7bn of loan losses to Barney's.

In spite of last year's loss, Isetan is in the final stage of Mr Koshiba's three-year business plan aimed at rebuilding around core operations while curbing capital spending. The retailer has closed unprofitable affiliates, including its stores in Hong Kong and a fitness club in Tokyo.

Isetan hopes to achieve operating profit this year of Y10bn, a 13.6 per cent rise on the previous year. The retailer also forecasts a 25.3 per cent rise in recurring earnings to Y9bn, on a 4.3 per cent increase in sales to Y432bn.

Isetan will need all the help it can get since Takashimaya, another high-street retailer, is opening a new store in Shinjuku, the same neighbourhood as Isetan's flagship store, later this year.

Isetan's Shinjuku store accounts for 63 per cent of its revenues and more than 90 per cent of profits, according to industry analysts. Takashimaya's aggressive expansion plans have already hit Isetan in the suburbs of Tokyo and in Singapore.

Ironically, some earnings support can be expected from one of the legacies of the outgoing Mr Kosuge. Although Isetan and Barney's are battling in the US courts, sales and profits at Barney's Japan, of which Isetan owns 80 per cent, are posting sharp increases, thanks to a return in demand for luxury goods.

Emiko Terazono

Jardine in Philippines tie-up

By Louise Lucas in Hong Kong

The Jardine group, whose diverse companies are listed in Singapore, is continuing its expansion in Asia through a tie-up between Gammon Construction, its Hong Kong-based construction arm, and Ayala Land, the Philippines' property developer.

Under the deal, Ayala and Gammon Construction – owned by Jardine Pacific, the trading and retail arm of the Jardine Matheson conglomerate, and Trafalgar House, the UK-based conglomerate – will focus on the design and construction of high-rise buildings, civil engineering and specialised foundation works in the Philippines.

The new Philippines joint venture is to be called Gammon Philippines.

The group says the move reflects its confidence in the Philippines, a country regarded by many as one of the slowest economies in Asia to take off.

Gammon Construction employs a full-time staff of 2,000 and operates across Asia.

Mr Martin Hadaway, group managing director of Gammon Construction, said the move underlined the group's regional objectives "ultimately to become predominantly staffed and managed by locals – a strategy we have employed in all of our Asian operations [and] which has proven highly successful."

The Jardine group is active in the Philippines, again in tandem with Ayala Land, through a joint venture with Hongkong Land, Jardine's property development arm, to develop strategic projects.

Elsewhere in the region, Gammon has linked with partners in Guangzhou, southern China, to build what it expects to be Asia's tallest building, the Sky Central Plaza. It is also working on a terminal building at Hong Kong's new airport.

Jardine has had a chequered history in Asia, inciting Beijing's wrath over its moves to distance itself from Hong Kong regulation, which culminated in its de-listing in 1994.

In April, Jardine Strategic Holdings, the controlling company of the Jardine group, bought a 20 per cent stake in Tata Industries, the investment arm of India's Tata group. That deal was valued at about US$35m.

Traffic growth boosts Air China

By Tony Walker in Beijing

Air China, China's national carrier, was lifted by a substantial increase in traffic last year, and the airline predicted that strong growth would continue.

It recorded a 6 per cent increase in pre-tax profits in 1995 to Yn466m ($56m) on turnover which jumped 22 per cent to Yn10.8bn.

Mr Yin Wenlong, president of Air China, attributed the sharp increase in turnover to the continuing strong build-up of air traffic in China, but profits were squeezed by increased costs of fuel and other charges.

"The main reason for the rapid increase in sales is because demand for air traffic grew rapidly and is still expanding," Mr Yin told an aviation seminar.

Passenger and freight traffic has been growing at 15-20 per cent a year since the early 1990s, but a credit squeeze imposed in August 1993 has recently slowed growth.

Mr Yin forecast continued strong growth both in numbers of passengers and freight carried. Air China's freight capacity would continue to grow by an average of 12.4 per cent in the five years to 2000, he predicted.

The airline planned to add 40 more aircraft by 2000 to its Boeing-dominated fleet of 64 aircraft. Mr Yin did not specify type or make of aircraft, although Air China recently put in an order for three Airbus A340s.

Air China's order for the A340s was quickly followed by an agreement signed on a visit to France by Mr Li Peng, China's premier, for 33 Airbuses at a cost of $1.5bn – a deal which in effect signalled an end to Boeing's dominance in China.

But with strong growth in traffic projected to continue well into the next century, China promises to provide a large market for Boeing, Airbus and McDonnell Douglas well into next century.

Airbus predicts that China will acquire 1,320 new aircraft by 2014, at a cost of $100bn.

China, meanwhile, says the numbers of commercial jets in service will grow to 640 by 2000, compared with 400 today. Taking into account aircraft that are to be retired, this will require 300 new aircraft by the turn of the century.

NEWS DIGEST

CNAC sells 2.6% stake in Cathay

China National Aviation Corporation, the commercial arm of China's aviation regulator, has sold a 2.6 per cent stake in Cathay Pacific Airways, the Hong Kong carrier.

BZW Asia, which arranged the deal for CNAC, said the proceeds from the sale of 90m shares in Cathay would be used in part to finance the purchase by CNAC of a stake in Hong Kong's Dragonair. After the disposal, CNAC holds some 53m shares in Cathay Pacific, representing a stake of about 1.5 per cent. Analysts said the move by CNAC had triggered concerns that it might set up its own rival airline in the territory in competition with Cathay after the territory reverts to China on July 1 1997. But CNAC has vowed to maintain the remaining stake in Cathay Pacific as "a long-term investment".

The disposal came after CNAC became the biggest single shareholder in Dragonair by acquiring a 35.86 per cent stake in the regional carrier on June 10. On the same day, Swire Pacific, its unit Cathay Pacific, and Citic Pacific signed an agreement on the placement of new Cathay Pacific shares.

The agreement increased Citic's stake in Cathay to 25 per cent from 10 per cent and diluted Swire Pacific's to 43.86 per cent from 52.63 per cent. *AFX-Asia, Hong Kong*

Siam Cement predicts losses

Siam Cement, Thailand's largest industrial conglomerate, predicted that its steel unit, which accounts for about 13 per cent of overall sales, was likely to post losses of between Bt700m-Bt800m ($27.7m-$31.6m) in 1996. However, the projected losses would be an improvement over 1995, when the steel unit lost Bt1bn.

The company said the losses would be concentrated in its affiliate Siam Yamato Steel, a structural steel producer. Siam Yamato will lose about Bt500m this year, against Bt800m in 1995. In the first quarter of 1996, it lost Bt300m.

Siam Cement said Siam Yamato's performance will pick up due to a recent government decision to impose a surcharge on the import duty on structural steel. This is seen as an interim measure until the government begins calculating import duties based on price rather than weight. While Siam Yamato is the only producer of H-beams and I-beams in the country, it had to reduce its projected 1996 output by about 18 per cent to 450,000 tonnes due to surging imports from eastern Europe, especially Poland and Russia, the company said. Despite the steel group's losses, Siam Cement is studying further expansion into downstream steel products and production of hot-rolled steel sheets for the automotive industry. Those projects are still at least a year away from being approved. *Ted Bardacke, Bangkok*

Heinz buys Sydney food group

H.J. Heinz, the Pittsburgh-based food group, has agreed to acquire South Country Foods, a privately-owned company based near Sydney, for an undisclosed sum. Southern Country is best-known as a producer of canned corned beef, sold under the Ox & Palm, Imperial and Hamper and Tom Piper brand names. It has annual sales of around A$70m (US$55.5m) and two-thirds of its production is exported. The acquisition was described as a "strategic enhancement" to Heinz Australia's existing product range. *Nikki Tait, Sydney*

■ Moody's, the US-based ratings agency, said it had assigned a Aa3 rating to the senior unguaranteed long-term obligations of Australia's Commonwealth Bank.

The bank is due to be fully privatised next month when the federal government sells off its remaining 50.4 per cent holding in the institution, and after about July 22 the Australian government will no longer guarantee CBA's non-deposit obligations. Moody's said that the bank's main retail mix of business "in the aggregate generates respectable profit margins".

TCI in move to spin off satellite broadcasting side

By Christopher Parkes in Los Angeles

Tele-Communications Inc, the aggressive US cable television and entertainment group, is to spin off its satellite broadcasting and programming interests into a separate, independent company.

The move, expected to be completed in the fourth quarter, is in keeping with TCI's long-term strategy of adding shareholder value by investing surpluses in new ventures, then paying "dividends" in the form of shares when the businesses are floated off.

Results of the spin-off will be closely watched by Hughes Electronics, market leader in direct broadcast by satellite services (DBS), which is understood to be contemplating a spin-off of its DirecTV business.

Assets involved in the latest manoeuvre include a stake of almost 21 per cent in Primestar Partners, the longest established medium-power satellite broadcasting business in the US with 1.25m customers.

The balance is owned by four other leading US cable TV companies and General Electric, which provides much of the dish and set-top hardware.

The Primestar stake will be bundled together with a programming distributor which serves 570,000 of Primestar clients, and Tempo Satellite, which holds stakes in high-power satellite services.

No estimates of the value of the proposed deal were available yesterday, although DBS is rated as the fastest-growing home entertainment business in the US.

News Corporation and MCI, a leading long-distance telephone carrier, joined forces earlier this year to enter the market with a record $683m bid for the last available licence to beam programming across the whole US. The partners, currently looking for a $100m land-base, expect to invest a further $1bn in the medium term.

While part of the attraction is the entertainment market, they also have ambitious plans for business purposes such as video-conferencing and medical consultations via satellite.

Other players include USSB and Echostar, which launched earlier this year and immediately joined a price-war.

Although the US is heavily cabled in urban areas, operators see big opportunities in rural regions where laying cable is not economic and land-based broadcast stations cannot reach. They also see big opportunities in Latin America.

In the saturated US TV market, operators boast their capacity to supply up to 300 channels with digital quality images and sound gives them the technological edge over cable.

Calpers to revitalise its property portfolio

By Christopher Parkes

The California Public Employees Retirement System has ordered a shake-out of its underperforming property portfolio in an attempt to boost assets, which recently exceeded $100bn for the first time.

The milestone in the growth of the pension fund was passed on May 14, Calpers said following a board meeting this week.

The board also authorised its new real estate investment head to take action to improve returns from its $5.7bn-worth of property holdings.

The task, which may lead to the dismissal of some of the fund's dozen external advisers, will be undertaken by Mr David Gilbert, formerly with investment bankers J.P. Morgan, who joined Calpers in May.

The external advisers were criticised in a recent independent review of the property portfolio, which pointed to an average annual return on investment of 7.4 per cent, with returns from one consultancy down at 3.2 per cent.

The reviewers proposed keeping the best performers, putting others on probation, and dismissing those with the worst record. After a political row, the fund board decided to leave a final review and action to the incoming executive, Mr Gilbert.

The fund, which provides pension and healthcare benefits to more than 1m former and current public employees, made a handsome return of more than 20 per cent in the year to end-March, marking a comeback from the 8 per cent recorded in 1994-95.

Officials attributed the swing to a policy switch initiated at the end of 1994, which called for a three-year shift of the bulk of the fund's assets into higher-yielding equity markets.

The return on equity holdings in the first year of this new policy was almost 27 per cent.

Calpers' property portfolio was hit hard by the Californian real estate collapse of the late-1980s and early 1990s, which was prompted by the combined effects of recession and the ending of the cold war, which cost hundreds of thousands of defence industry jobs.

Values have stopped falling, but there is little life in the commercial property market.

Despite this setback, the fund has prospered in the past decade, during which net assets have risen from $37.7bn. More than 80 per cent of the assets come from investments, with 11 per cent coming from employees and the balance from public sector employers.

Oracle claims lead in 'groupware' field

By Louise Kehoe in San Francisco

Oracle, the US database software group, will today unveil "groupware" software that enables users to work together over the Internet and intranets, a move that is expected to spark a marketing battle among leading software companies.

Groupware allows groups of users to receive and access messages, documents and files. Netscape Communications, Microsoft, IBM and Oracle are all jostling for position in this emerging field, in which companies base their internal networks on the the Internet.

Mr Larry Ellison, Oracle chairman, claims to have established a lead by launching InterOffice in advance of competitors. Netscape Communications, for example, is planning to launch its groupware technology as a version of its popular browser software at the end of this year.

Similarly, Microsoft is several months away from offering groupware for intranets. Yesterday IBM was also set to announce its strategy for revamping its proprietary Lotus Notes groupware products to make them compatible with Internet standards.

Oracle, however, aims to outrun its competitors by offering a combination of groupware that can run on PCs or network computers and its "Universal Server" multimedia database software.

Several large customers are already testing a pre-release version of InterOffice, Oracle said. An important feature of the Oracle approach is "scalability", the company claimed. The software can be used by small groups of office workers linked on a local area network, or by tens of thousands of people working at remote sites.

Larry Ellison: launch 'puts Oracle ahead of competitors'

Sales of Internet and intranet software are expected to grow rapidly over the next few years from 1995 sales of about $900m to about $5.1bn in annual sales by the end of the decade, according to analysts at Morgan Stanley.

3M board gives assent for Imation to go its own way

By Richard Waters in New York

Imation, the latest big corporate spin-off in the US, is set to begin life as an independent company next month amid restructuring efforts to reverse a recent slide into loss.

The data storage and imaging company's ties to its parent, Minnesota Mining and Manufacturing (3M), were officially cut yesterday as 3M announced its board had approved the separation, which was unveiled last November.

The news came as two other, better-known spin-offs in technology industries took steps to position themselves better as stand-alone companies.

Lucent, the equipment arm of AT&T that became an independent company this spring, is to sell its Paradyne subsidiary for $175m. The company, which has annual sales of $275m, makes network access products for multimedia communications devices. Lucent said the sale would allow it to focus on its core businesses.

Meanwhile, Electronic Data Systems, spun off from General Motors earlier this month, said late on Tuesday it would take an $850m restructuring charge in the second quarter, $100m more than indicated earlier. The charge results from an early retirement programme and other moves announced in April.

Of the three companies, Imation faces the biggest challenge in establishing itself as a stand-alone company.

The company, formed out of a group of disparate businesses within 3M, has been beset by lower margins in some markets, such as the production of computer diskettes and development costs for new products.

According to pro-forma figures, revenues have remained little changed at about $2.3bn in each of the past three years – a level that would have put the company just outside the Fortune 500 listing of big US companies last year. An operating profit of $141m in 1993 had turned into an operating loss of $149m by last year (the latest figure included restructuring charges of $111m).

The company said it had already moved to cut staff numbers by about 25 per cent, or 3,000 people, to just under 10,000, and that it planned to streamline the diverse businesses by combining operations. The moves include reducing the number of factories it maintains and halving its research laboratories to seven.

These steps will enable the company to return to profit with operating margins of 2-4 per cent, said Ms Jill Burchill, chief financial officer, though she warned that further restructuring charges were likely in the next two quarters.

Imation hopes, over the next two years, to lift operating margins into the 8-10 per cent range. Among the biggest determinants of the company's success will be the acceptance of a new computer diskette, known as the LS-120, which holds 120 megabytes of information (today's diskettes hold 1.44 megabytes).

FASB draft standards face a frosty reception

When the Financial Accounting Standards Board, the group that sets standards for the US accounting industry, releases its draft standards for derivatives accounting today, it will face a barrage of criticism.

Despite the four-year gestation, the financial community is already complaining that the draft proposals have been rushed through under pressure from the Securities and Exchange Commission, and will create an accounting framework that could discourage the use of derivatives to hedge even the most conventional financial risks.

The FASB, to its credit, has heeded regulatory directives to get derivatives exposure out of the footnotes and on to the balance sheet. It has also decided that all derivatives must be marked to market – in keeping with the FASB's controversial view that all financial instruments should eventually be accounted for at fair market value.

Financial accountants say the proposed changes require close reading. The deals that qualify for hedge accounting – which allows a derivatives gain or loss to be taken in the same period as the gain or loss on the underlying instrument – are much more narrowly defined; for example, the maturity of a derivative hedge must match the maturity of the underlying instrument.

That change might discourage the use of a relatively common hedge involving continuous rollover of three-month futures positions, since each contract would have to be booked on the income statement as it matures, while gains or losses on the underlying instrument would not be booked until later periods. Corporate treasurers say this will lead to increased volatility in quarterly income statements.

Although the FASB proposals are intended to provide investors with better information about corporate performance, accountants say the mismatch between reporting periods of gains or losses on derivatives used as a hedge and on the underlying instrument will generate confusion.

"The accounting does not reflect the economics of the transactions," one derivatives trader complains. "There are other ways to increase balance sheet transparency without causing greater income statement or equity volatility."

Swaps dealers, for example, are concerned that fixed and floating rate obligations will get different accounting treatments, with such potentially jarring consequences to the bottom line that end users will shy away from what have become very standard interest rate hedges.

Similarly, the FASB directives will deny hedge accounting treatment for written options, or for a combination of options if they result in net premium income for the issuing company. This could halt a common practice of issuing warrants with embedded options, accountants say.

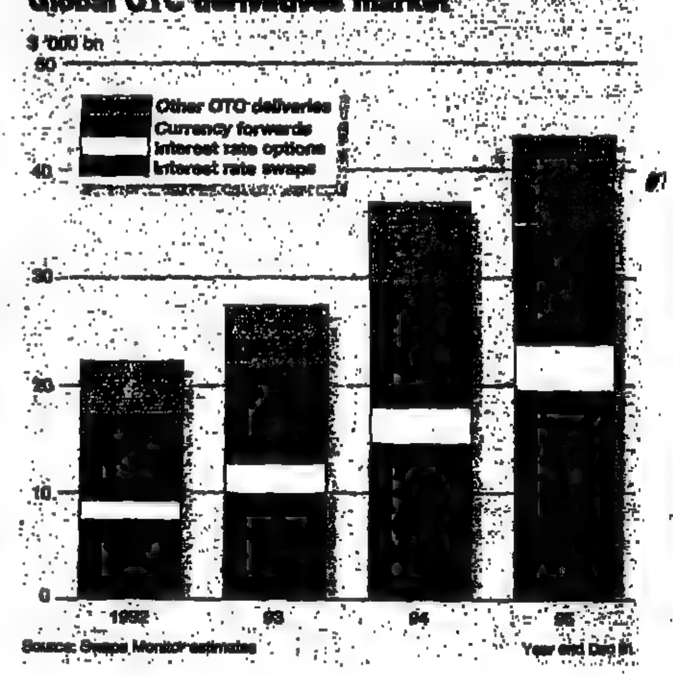
Even agricultural derivatives will be affected. A farmer would not be able to receive hedge accounting treatment on futures sold to lock in a price for crops in the field. The resulting income statement distress would probably worry his lender, even though the sale of futures limits his exposure to grain price volatility.

The FASB has relented on one important area for corporate end users and will grant hedge accounting, under some circumstances, to corporations that use forward rate agreements to hedge anticipated currency transactions. This will make life easier for foreign exchange managers, who currently must use purchased options to qualify for hedge accounting.

But the financial inconsistencies are so great, derivatives executives say, that there is bound to be long and detailed discussion before the exposure draft becomes standard practice. The FASB is expected to seek public comment on its draft until October 11, and then plans public hearings in November.

Laurie Morse

Global OTC derivatives market



Source: Swaps Monitor estimates

Hyder to cut 900 jobs in reorganisation

By Jane Martinson

Hyder, the multi-utility formed through Welsh Water's £893m takeover of Swalec, is to cut 900 jobs in a reorganisation set to save £100m a year in costs by the end of the century.

The projected savings were the first given by the company since the merger was effected in January. Shares rose 5p to 723p yesterday as the company announced details of the cuts along with pre-tax profits after restructuring costs of £112.9m.

Most of the job cuts – 570 – result from the merger and will fall heaviest on clerical and administrative staff in the division providing services for both the water and power utilities. In total 10 per cent of Hyder's 9,000-strong workforce will be axed.

Hyder said the merger would lead to savings of £46m a year by the year 2000, with £14m coming from tax and interest savings and £32m from labour and head office reductions.

A further £54m would come from efficiency measures and cost reduction programmes at the core utility businesses. The company acknowledged these savings could have been achieved without the takeover. Swalec had announced a £45m cost reductions programme before the takeover.

Mr Graham Hawker, Hyder chief executive, said that while £46m was due to the merger the group was still "being aggressive on controlling costs".

Uncertainties over merger savings have helped depress the share prices of both Hyder and United Utilities, the UK's first multi-utility formed through the takeover of Norweb by North West Water, since their respective mergers.

In the year to March 31, the £112.9m pre-tax profits compared with £120.4m the year before, but were dented by a £55m restructuring charge chiefly to pay for the redundancies.

The figures were attacked by Mr Frank Dobson, shadow environment spokesman, as "scandalously high". He added that they "reinforced Labour's case for a windfall levy" on the privatised utilities.

Most of the job cuts, which the group hopes are voluntary, will come from Hyder Services, created from common services such as accounts and information technology. The division's 1,700 payroll is to be cut by 450. Another 50 jobs will come from headquarters while a further 70 remain "unallocated". The remaining job cuts are to come from the core utility groups.

The group announced that it was moving to divest itself of certain non-core activities previously belonging to Swalec.

The group is in talks with International CableTel, the US group, over the future of its 40 per cent stake worth about £50m in CableTel South Wales, a local franchise company.


Colin Beere
Aggressive cost controlling: Graham Hawker (left) and Paul Twamley, finance director

Automated Security accepts ADT bid

By Geoff Dyer

Two former stock market stars which have fallen from grace joined forces yesterday when Automated Security (Holdings), the electronic security company, accepted a £250m ($382.5m) bid from Bermuda-based rival, ADT.

The sale follows a two year effort by heavily-indebted ASH to shore up its precarious balance sheet, which left the group facing gearing of over 500 per cent.

ADT, which is listed in London and New York and which also has a US car auction business, said that the acquisition made it the market leader for electronic security in the UK and in southern California.

In November, ADT raised $340m from the sale of its European car auction side to invest in its electronic security division. It said it hoped to achieve substantial cost savings from integrating ASH.

ADT's paper offer values ASH's equity, which includes two classes of preference shares, at £84.9m. In addition, ADT will take on £165m of debt. The bid means that ADT is paying 39.3p for each ordinary ASH share, a 27 per cent premium to Tuesday night's closing price of 31p.

Shares in ADT fell 23p to 1195p yesterday, while ASH shares rose 8p to 39p.

ASH grew rapidly through acquisitions in the 1980s, however weighed down by debts, its financial performance in the past five years has been erratic and in the year to November 30 it recorded a pre-tax loss of £7.4m (£11.8m).

The ordinary shares, which were valued at nearly £240m five years ago, are worth £47m under ADT's bid.

Having received a two-year breathing space from its bankers at the end of last year, the group had been examining a number of options, including raising new equity, selling its US operations and encouraging a bid for the whole group.

The deal needs 75 per cent approval from shareholders in each class, and is not expected to be completed until September.

NEWS DIGEST

Securicor in three-way link

Securicor, the security, telecoms and distribution group, yesterday confirmed the merger of its radio communications business with Intek Diversified Corporation of the US.

Another US group, Midland International Corporation, is also merging into Intek as part of the three-way deal which gives the combined business a potential value of $320m (£209.1m).

The UK group is taking a 67 per cent stake in the enlarged Intek Group, which will issue 28.5m new shares as part of the deal. Midland will own some 6 per cent.

The three companies will combine to exploit the expanding US market in radio telephony. It is typically used by the emergency services, public utilities and other fleet-based users, and currently has about 14m subscribers. Securicor estimates the market is worth $5bn a year.

Intek, which is quoted on the Nasdaq market, is one of three companies developing a national radio telephony network and already has 90 per cent coverage. It lost $2.8m last year. Mr Ed Hough, chief executive of Securicor Communications and a main board director, said: "With a business of Intek's potential, we would be surprised if it was not generating significant revenues within five years." *Christopher Price*

Australasian sale by MDIS

McDonnell Information Systems, the computer services group now under new management, has agreed to sell its Australian and New Zealand subsidiaries to Continuum Australia for A$14m (£7m) in cash.

Under the terms of the deal, which is subject to regulatory and shareholder approval, $11.2m of the purchase price is payable upon completion with the balance over the following two years.

MDIS will continue to distribute its Chess and Pro-IV products in Australasia and will have distribution rights for the HealthCare 2000 product currently under development in Australia.

The two Antipodean subsidiaries, which focus mainly on the healthcare, local government and financial sectors, posted operating profits of £500,000 on turnover of £20m last year. In April, MDIS reported 1995 pre-tax losses of £39.4m, including exceptional charges of £23.2m.

Progress in gold for Kenmare

Kenmare Resources, an Irish mining concern, yesterday reported its final results for 1995 and announced "substantial progress" on its two gold licences at Niassa, Mozambique. Test drilling infers 200,000 ounces.

The company also announced that further ilmenite resources had been discovered at its Congolone licence, also in Mozambique, making it one of the world's most valuable undeveloped titanium resources.

The graphite facility at Ancuabe, Mozambique, started commercial production last July, although this was below break-even point and contributed to the loss for the year to December 31 of I£676,007 (£697,000), against a loss of I£42,317 for the previous eight-month period. Turnover was I£662,000. The loss per share was 0.59p (0.06p loss).

Eurodis makes Italian buy

Eurodis Electron, the pan European distributor of electronic components, has acquired 70 per cent of Mecom, an Italian private electronic component distributor, for £4.8m. It has an option to buy the remaining 30 per cent.

On sales of L47bn (£20m), Mecom made pre-tax profits of L4.5bn in 1995, and at the year end had net assets of L6bn.

Rutland to take control of Cape vià complex deal

By David Blackwell

Rutland Trust yesterday announced a complex deal that will give it effective control of Cape, the maker of fire preventive materials.

The group, which specialises in realising value from companies in difficult situations, will acquire 25 per cent of Cape, with an option to increase the stake to 29.5 per cent – just short of the level triggering a bid for the rest.

Cape has a history of asbestos manufacture which is still attracting claims for damage to health, although it stopped making the material in 1968. In the last three years it has made steady pre-tax profits of about £12m ($18.4m), on sales of £240m.

Rutland is acquiring its £20m stake at 130p a share in a special arrangement with Charter, the engineering group that owns 65 per cent of the shares.

Cape shares closed up 1p at 166p yesterday.

Charter was unable to exercise full control because that would have opened it up to asbestos-related claims in the US. At present Cape is settling claims of about £2m a year in the UK, but is able to ignore US claims because UK law prevents US judgments from being brought here.

Rutland is raising £24m net of expenses through a placing and open offer, via UBS, of 49.6m shares at 50p a share. The remaining 45 per cent of Cape owned by Charter will be placed with institutional shareholders in a book-building exercise by Kleinwort Benson.

Mr Michael Langdon, chief executive, and other Rutland executives will be seconded to Cape to reorganise the group. Mr Langdon, who has structured the deal to keep US claims away from Rutland, believes there is great potential for Cape's calcium-silicate, or sand based fire preventative materials to be exported to continental Europe and the Far East.

The other half of Cape's business, which provides services such as insulation and asbestos removal, will be rationalised, with lossmaking businesses in Germany and France sold off.

Some of the value extracted will be re-invested in Thamesport, the deep water container port on the Isle of Grain which Rutland acquired last October. The port needs investment of £15m to take it from capacity of just over 270,000 containers to 400,000 containers.

Mr Langdon said the container business was growing much faster than expected. Next month Lykes of the US is transferring its 25,000 containers a year from Felixstowe to Thamesport.

Charter puts £500m buy in its sights

By Tim Burt

Charter, the industrial engineering group, yesterday said it could spend up to £500m ($765m) on an acquisition following its withdrawal yesterday from the building materials industry.

The company, which has announced plans to sell its 65 per cent stake in Cape, said the disposal proceeds would strengthen its balance sheet ahead of a "significant deal".

The disposal, involving the sale of 25 per cent of Cape to Rutland Trust and the placing of the remainder, is expected to net at least £44.5m for Charter.

Mr Jeffrey Herbert, chairman, said it would wipe out the group's year end borrowings of £40m, although a £50m goodwill write-off meant Charter would not make a profit on the disposal. "This clears the decks and we could now contemplate a deal of between £300m and £500m," he said.

Charter has been seeking a sizeable acquisition for some time to offset its dependence on Esab, the Scandinavian welding products business acquired for £445m in 1994.

Mr Herbert said the company wanted to acquire an industrial manufacturer, possibly in a sector serving the construction industry.

He refused to elaborate, but hinted that the target might be based in continental Europe rather than the UK.

Although analysts broadly welcomed Charter's withdrawal from the low margin building materials sector, some questioned the 130p per share price agreed with Rutland Trust.

However, Mr Herbert said he was satisfied with the pricing, adding that Charter believed yesterday's part sale and placing was preferential to a trade sale or possible buy-out.

Railtrack edges forward to £190m

By Charles Batchelor, Transport Correspondent

Railtrack, the company which has taken over British Rail's track, signalling and stations, yesterday announced pre-tax profits of £190m ($290.7m) in 1995-96 in its first set of results since privatisation.

Coming less than a month after the company obtained a stock market listing, these results were in line with the forecast contained in the company's prospectus.

Pre-tax profits inched up from £189m to £190m in the year to March 31 on turnover also marginally higher at £2.3bn (£2.27bn). Operating profit showed the expected decline to £296m from £306m. The company confirmed it intended to pay a final dividend of 13.75p per share.

Mr Robert Horton, chairman, described the results at "satisfactory in a year of transitional change and innovation". They would provide a sound foundation for creating "a modern, safe, reliable and efficient railway system fit for the 21st century". But he also warned that it was fundamental to the transformation of the railway industry that Railtrack developed "a culture which was more focused and more responsive to customer needs through fresh thinking".

The company, whose privatisation was fiercely resisted by the opposition parties, has spent the past year implementing performance regimes to measure the punctuality and reliability of the railway network. It has also begun programmes to catch up with the backlog of investment and to exploit its property portfolio.

Plans have been drawn up to spend about £1bn a year over the next 10 years including the cross-London project, Thameslink 2000, and upgrading the west coast main line between London, Birmingham, Manchester and Glasgow.

A range of smaller schemes involving the renewal of track, signalling and power systems, and the repair of bridges, depots and stations, are also planned.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airtours	6 mths to Mar 31	609.6	(426.5)	31.2L	(34.9L)	21.34L	(23.59L)	3.25	July 29	[illegible]	-	14
Belcanto ⊕☆	Yr to Dec 31	3.78	(3.83)	0.863	(0.999)	6.54	(7.5)	-	-	-	-	-
Cross Intl ⊕	6 mths to Mar 31	2.28	(-)	0.998L	(-)	2.8L	(-)	-	-	-	-	-
European Motor	Yr to Mar 31	346	(284)	6.67	(7.92♥)	8.9†	(12)	3	Oct 1	3	5.2	5
Hyder	Yr to Mar 31	651.8	(621.9)	112.9♠	(120.4♠)	68.8	(74.9✕)	28.1	Oct 7	24.8	38.7	33.9
Kenmare Resources ♣	Yr to Dec 31 ◆	0.662	(-)	0.676L	(0.042L)	0.59L	(0.06L)	-	-	-	-	-
Le Riches Stores ⊕	Yr to Mar 23	124.9	(119.4)	3.89	(1.85)	20.8	(11.2)	11.6	July 24	11	16	15.4
Macdonald Hotels	53 wks to Mar 31	32.6	(24.7)	4.78	(3.66)	8.67	(6.03)	-	-	-	-	-
Minmet ♣	Yr to Dec 31	0.102	(0.088)	0.517L♠	(1.12L♠)	0.34L	(0.88L)	-	-	-	-	-
New London Cap	Yr to Mar 31	4.04"	(5.06")	3.29	(3.37)	3.71†	(4.06)	2	Aug 23	2.15	3	3.75
Railtrack	Yr to Mar 31 ◆◆	2,300	(2,275)	190	(189)	53.8#	(-)	13.75	Oct 4	-	13.75	-
Swan (John)	Yr to Apr 30	1.63	(1.51)	0.411♠	(0.205)	44.2	(22.6)	20	Aug 29	18	20	18
Symonds	Yr to Mar 31	14.2	(6.93)	1.45	(0.513)	4.5	(3.5)	1	Sept 10	0.5	1.5	0.75
Tams (John)	Yr to Mar 31	28.9	(28.2)	0.919L♠	(1.81♠)	2.1L	(4.82)	2.41	Aug 9	2.41	4.01	4.01

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
USS UK Discovery	Yr to Apr 30	124.59	(97.64)	0.657	(-)	2.04	(-)	1.85	Aug 27	-	1.85	-
L&G Recovery	6 mths to Apr 30	132.5	(100.3)	0.538	(0.489)	1.46	(1.33)	0.75	July 31	-	-	2.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ⊕Aim stock. ☆US currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✕Restated. ♣Irish currency. ◆Comparatives for eight months. ◆◆Comparatives for 57 weeks. #Pro forma. "Gross income.

Worth Watching · Vanessa Houlder

Enzyme clue to cellular suicide

Cells are programmed to self-destruct as part of the body's normal process of renewal and repair. But sometimes this mechanism goes wrong, causing the destruction of healthy cells and triggering auto-immune diseases such as juvenile diabetes and multiple sclerosis.

Researchers at the Weizmann Institute in Israel have opened the way to a better understanding of this mechanism by discovering an enzyme responsible for cellular suicide.

The enzyme, MACH, destroys the cell by breaking up certain proteins in it and disrupting its normal functions. The enzyme is spurred into action through the action of three receptor molecules on the cell's surface.

The scientists believe it may be possible to block abnormal signals selectively, while allowing normal cellular suicide. The findings, which were reported in the scientific journal Cell, could also shed light on the growth of cancerous tumours, in which faulty cellular suicide mechanisms are sometimes implicated.

Weizmann Institute: Israel, tel 97289343852; fax 97289344104.

Double-up on video-conferencing

One of the main components of a video-conferencing system is the codec (coder-decoder), which converts video pictures, sound and control information into a compressed digital form for transmission.

Origin, part of Philips, has developed a technology that can double the performance of video codecs. It has increased the codecs' efficiency by designing a video content analysis processor that examines images for movement to determine the most critical parts of the picture.

Systems using the analysis processor can carry video-conferences over ordinary telephone lines at a rate of 24 kbit/s.

Origin: UK, tel (0)1223 423355; fax (0)1223 420724.

Left brain's language skills

Scientists have long known that people with damage to the left side of the brain have particular difficulties with language, but the reasons remain controversial. Is the left side responsible for processing linguistic information, or is it just good at general sensory and motor skills, such as the ability to follow a rapid fire of words or to make complex mouth movements?

Evidence supporting the idea that the left side of the brain is specifically responsible for language has been provided by scientists studying deaf people who use sign languages that depend on sensory and motor skills that are very different from those required for speech.

Researchers at the Salk Institute for Biological Studies at La Jolla in California studied sign language users suffering from brain damage, according to a report in Nature. They found that those with damage to their left-brains had greater difficulties with language, suggesting the left-hemisphere dominance of language cannot be reduced to general sensory or motor processes.

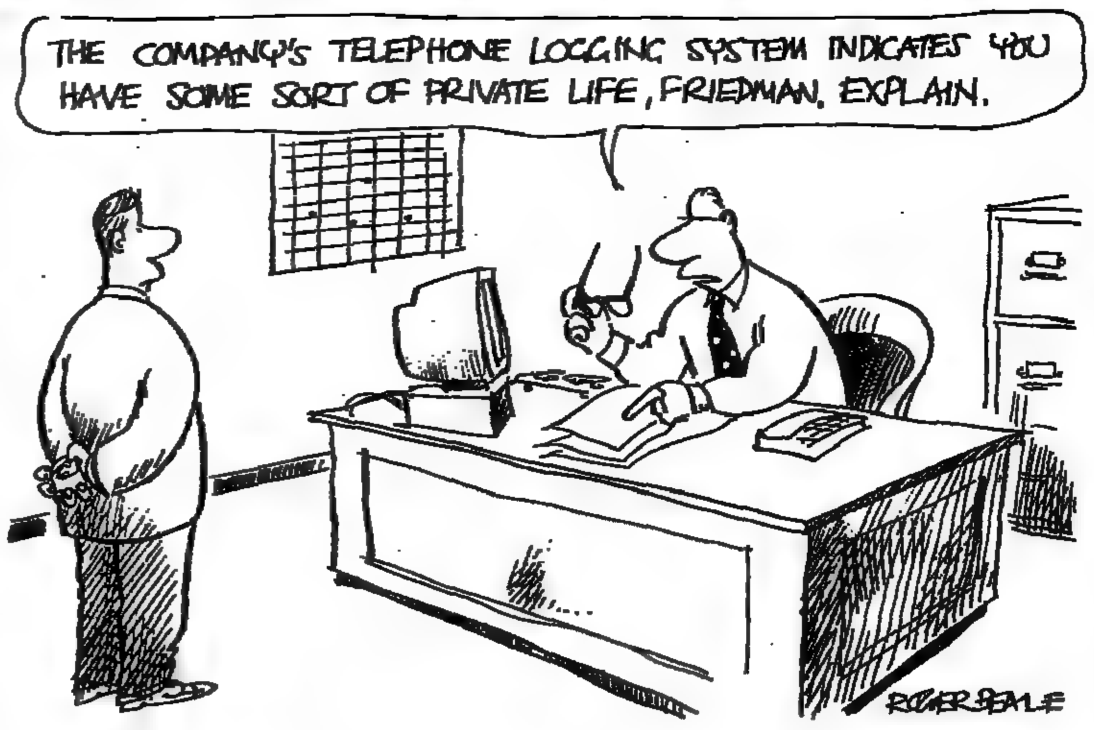
The Salk Institute for Biological Studies: US, tel 6194534100; fax 6194527052.

Access to records for doctors on call

A pilot scheme has been set up in the UK that allows doctors to access their patients' medical data when away from the surgery, using palm-top computers and mobile phones.

Eleven practices have pooled their out-of-hours service and linked their computers. A doctor out on call can obtain access to the medical records of any of the practices' 10,000 patients, using mobile phones connected to a Psion palm-top computer linked to the network. The scheme uses technology from LK Global Healthcare, Astec Communications and Vodaphone.

Astec Group: UK, tel (0)1242 222844; fax (0)1242 222277.



Bring into line

Logging systems can help companies to get the best from their telecoms resources, says George Cole

When a prime minister became alarmed over the number of unauthorised press leaks coming from his office, he decided to take drastic action. He had all the home, office and mobile phone numbers of political journalists entered on a computer program that kept a record of all outgoing and incoming calls. Within days of the system being installed, the number of leaks became less than a trickle.

This is one example of how telephone information management systems (Tims) are being used today. Also known as call management or call logging systems, they use computer software to create sophisticated phone databases which can reveal much about telephone usage. Tims are not only used to reduce leaks, but also to combat phone fraud, improve efficiency and help organisations to get the best from their telecoms resources.

In a typical Tims set-up, a computer is linked to a company's private telephone exchange or PBX. By simply pressing a couple of keys, users can see on the computer screen a variety of information, such as the number of incoming and outgoing calls, the date and time calls were made or received, their cost and the number of calls made by a department, extension or individual. The demand for Tims is expected to increase greatly over the next few years. The telecoms research company MZA estimates that the market for computer systems that are integrated with PBXs in western Europe will grow from £385m in 1996 to £580m by 2000.

Call logging systems are not new: the hotel industry, for example, has long used them for billing guests. But the technology and culture of Tims is changing. Companies promoting Tims say that call logging is more than just a big brother system checking on employees' phone use.

"Anyone with a business that has three or more phones should be using these systems," says Peter Blackbyrne, sales director of PhoneControl Europe, based in Darty, Ireland. Phone costs are the second or third largest expense item for most organisations.

According to PhoneControl Europe, when employees are aware that a company is using a call logging system, virtually all unnecessary telephone usage ceases and worktime is put to more efficient use. Sadik Sacoor, quality manager of Tiger Communications, based in Ringwood, Hampshire adds: "Call logging systems were originally about cost – How many extensions do I need? Have I enough operators? – but today, they're more to do with accountability, for example, are my service team responding to calls quickly enough?"

Older call logging systems are based around the MS-Dos computer operating system, which uses obscure keyboard commands, but the latest Tim systems use Microsoft's Windows, which has on-screen pictures and uses a mouse pointing device.

"Customers are demanding Windows-based products," says Sacoor.

What is more, many of the Dos-based Tims products required their own special computer, but the latest versions can be used on an ordinary desktop PC. Windows-based Tim systems on the market include PhoneControl from the Australian company Aries, and Phoneman from the Californian company Phoenix Automated Dialing Systems. This summer, Tiger launches its 2000 system.

Tims are being used in the battle against phone fraud. Hacking or unauthorised phone use often involves gaining access through a company's voice mail system or freephone number. Once the system has been entered, the hacker hooks up to an external phone line and can make international calls at the company's expense. In 1992, phone fraud in the US was more than $4bn (£2.7bn). In 1990, Mitsubishi International reported that it had lost $430,000 due to fraudulent calls, many of which were made from the US to Egypt and Pakistan.

PhoneControl can monitor any call made with an international dialling code or costing more than £20, for example. The computer can also automatically highlight such calls on screen. But not everyone is convinced by the effectiveness of using Tims to combat fraud.

Colin Mitchell, chair of the UK Telecommunications Managers Association's special interest group on fraud, says: "Using a logging system for this purpose is rather like coming home and finding your house has been burgled – the damage has been done. It's more important for companies to ensure that passwords are properly set and changed regularly." However, supporters of Tims point out that without their systems, companies may not realise they are the victims of fraud, or discover how hackers are entering their phone system.

There is a growing tendency for companies to put Tims on to a computer network and give many employees access to it. A firm of solicitors, for instance, can use the system to enable partners to bill clients for phone calls. A sales team can use Tims to find out how many calls are being lost during the busiest periods of the day.

There are further benefits. Phoneman for example, uses a Caller ID system which identifies the caller's name and telephone number. At the same time, the caller's profile (which could include details such as the date and nature of their last call) can be pulled from a database before the phone is answered. PhoneControl reports on any faults on the line, and also makes it easy to compare costs between different telecoms carriers.

The growing use of call logging systems has raised civil liberties issues, with some employees complaining their privacy has been infringed. But some call logging systems have features designed to preserve privacy.

Tiger's 2000 system, for instance, has a feature known as Digit Privacy, which only stores the digits needed to calculate the cost of the call (such as the time, duration and distance).

However, there have been reports of some company directors insisting that the digit privacy facility is used for their own calls, while storing the complete telephone numbers of their employees' calls.

A micro leap for 3M

3M, the Minnesota-based industrial group, has reinvented its oldest business. Its new abrasive lasts four times as long as traditional sandpaper and is faster, more consistent and longer-lasting.

The product consists of myriads of abrasive particles held in microscopic, precisely shaped, pyramid structures. As the pyramids are worn down, up to 50 layers of abrasive particles are exposed. By contrast, conventional sandpaper is exhausted when a single layer of minerals is rubbed away. This is the latest 3M product to use a technology called microreplication – the creation of precise, three-dimensional patterns of a few microns in size.

The technology was invented in the 1960s, when 3M was trying to develop a small, light, overhead projector. It solved the problem by making a lens from a thin piece of plastic with thousands of tiny grooves on its surface that achieved the same light-bending effect as a traditional lens. It was clear that the technology could be immensely versatile, since changing the microscopic structures on the surface of a material can significantly alter its physical, chemical and optical properties.

However, developing appropriate manufacturing techniques proved more difficult than originally envisaged and entailed years of research.

As the technology has grown in sophistication, it has been applied to an expanding range of products, ranging from road signs – where prismatic cubes capture and reflect light – to laptop computers, where it enhances the brightness of back-lit flat panel displays.

3M sold $1bn (£666m) of products based on microreplication last year and believes sales could increase ten-fold in the next five years. But William Coyne, senior vice-president, research and development, believes that is just the start. "I think we have yet to find the most important use for microreplication," he says.

Vanessa Houlder

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Pool Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.37	12.15	13.24
0100	8.91	8.96	9.96
0130	8.91	8.96	9.96
0200	8.91	8.96	10.07
0230	8.91	8.96	10.07
0300	8.91	12.72	13.84
0330	8.91	8.96	10.07
0400	8.91	8.96	10.07
0430	8.91	8.95	10.07
0500	8.91	8.96	10.07
0530	8.90	8.96	10.07
0600	8.90	8.95	10.07
0630	8.92	8.95	10.07
0700	12.38	12.73	13.85
0730	16.99	16.99	18.12
0800	17.57	17.24	18.46
0830	20.07	17.71	18.99
0900	23.03	19.22	20.58
0930	42.60	19.33	20.70
1000	42.75	[illegible]	[illegible]
1030	44.69	21.32	22.72
1100	45.29	18.81	20.02
1130	46.79	21.71	23.22
1200	47.24	29.56	31.14
1230	45.80	29.40	30.89
1300	42.95	28.97	30.39
1330	22.70	19.05	20.34
1400	20.83	17.62	18.88
1430	20.28	17.62	18.72
1500	20.01	17.44	18.62
1530	20.11	17.41	18.59
1600	21.08	17.46	18.63
1630	22.56	22.35	[illegible]
1700	29.49	30.18	31.43
1730	29.25	30.10	31.33
1800	26.32	29.91	31.09
1830	24.56	17.29	18.41
1900	17.40	16.95	18.07
1930	17.35	16.95	18.07
2000	16.94	16.95	18.06
2030	16.92	9.02	9.02
2100	16.78	9.02	9.02
2130	16.59	18.32	[illegible]
2200	21.69	18.32	19.43
2230	30.08	18.31	19.43
2300	30.08	[illegible]	19.43
2330	16.92	12.73	13.85
2400	8.97	8.96	10.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

Diamond sales increase as confidence returns

By Kenneth Gooding, Mining Correspondent

The diamond market is regaining its confidence following the understanding that was reached in February between two of the biggest producers, South Africa and Russia.

This became clear yesterday when De Beers' Central Selling Organisation, which dominates world trade in rough or uncut diamonds, reported that its sales in the first half of 1996 had reached a record US$2.748bn.

This was 8.2 per cent higher than the $2.54bn of sales in the same months last year.

The CSO said that the signing in February of a Memorandum of Understanding between the Russian government and De Beers, "dispelled much of the uncertainty which had had a negative impact on the rough [diamond] market for most of 1995."

However, signing of a full trade agreement had been delayed by the political situation in the run up to the Russian elections.

Meanwhile, the unofficial export of Russian diamonds, by-passing the CSO and putting a downward pressure on prices, had eased substantially.

The CSO said world retail diamond jewellery sales, which rose by between 5 and 6 per cent in value last year, had continued to increase in 1996.

Mr Michael Coulson, analyst at Nedcor Securities, said the results were at the top end of expectations and "second half prospects are looking bright as well".

Pulp producers hopeful of upturn in fortunes

By Bernard Simon in Toronto

The ever-volatile woodpulp market, which has been in steep decline for the past nine months, has been given a lift by signs that destocking is nearing an end and paper consumption is begining to revive.

Some traders and analysts warned this week, however, that the upturn might be short-lived. Mr Martin Glass, a UK paper consultant, said; "While it is possible to increase prices, we're not sure about their sustainability".

After failing earlier this month to push through a price increase for northern bleached softwood kraft, the industry benchmark, North American and European producers have told customers that they plan to try again on July 1. NBSK prices are due to move up US$60 a tonne to $580. Prices of less expensive grades have risen a little in recent weeks.

Expectations that the latest increase will go through are reflected in a jump in North American pulp producers' shares on the New York and Toronto stock exchanges.

NBSK prices have halved since reaching a record of almost $1,000 a tonne last autumn. Besides weak paper demand, the slide was exacerbated by a rundown in swollen stocks and by aggressive price-cutting, triggered by new hardwood pulp mills in Indonesia.

The market has been buoyed by news that NBSK producer stocks in North America and Scandinavia shrank by 383,000 tonnes in May, the biggest monthly drop in several years. Furthermore, the Indonesian mills, which cut hardwood pulp prices to less than $400 a tonne earlier this year, appear to be on the sidelines.

"We're hoping that they learned a lesson from the downcycle," said a trader in Vancouver. Although the Indonesian mills have low operating costs, they are saddled with sizeable debt-service obligations.

Analysts are still uncertain whether the upturn in pulp demand reflects higher paper consumption or merely a move by paper mills and end-users to rebuild stocks at low prices.

Attention is focussed on European mills, which buy about 40 per cent of pulp traded on world markets. "Without those paper makers consuming pulp, it won't be a long bull market," said Mr David Pineault, economist at Massachusetts-based Resource Information Systems.

Resource Information predicts that prices will peak again during 1997 at around $850-900 a tonne. Lower wood chip costs, especially for Canadian producers, were likely to contain price increases, Mr Pineault suggested.

Cornwall-based consultants Emge and Company forecast in a recent graphics paper report that world demand growth for coated woodfree papers would accelerate from 2.2 per cent in 1995 to 5.9 per cent this year and 6.8 per cent in 1997. Consumption in western Europe, which contracted by 3.6 per cent last year, was projected to climb by 6.2 per cent in 1996 and 8.4 per cent in 1997.

A similar rebound was expected in the uncoated woodfree papers market.

But Mr Glass, Emge's managing director, said that prices might be held back by rising paper capacity, mainly in Europe and south-east Asia. Emge forecast that average mill operating rates for woodfree papers, where most pulp is consumed, would remain stagnant, or even drop slightly, over the next two years.

Thai gas concessions awarded

By Ted Bardacke in Bangkok

Thailand's ministry of industry yesterday awarded a three-year *natural gas exploration* concession in the Andaman Sea to a consortium of Unocal of the US, Total of France and Statoil of Norway.

The two blocks awarded are 50km west and south-west of Thailand's Phuket province and the site of significant natural gas reserves discovered by Unocal in 1976. At the time, Unocal deemed those reserves as not commercially viable because of a lack of demand in the region and therefore let the concession lapse.

"There are a number of reasons why these blocks are attractive in 1996 when they weren't in 1976," said Mr Brian Marcotte, president of Unocal *Thailand. "The overriding reason* is that the clean, efficient qualities of natural gas are now appreciated. In the 1990s, natural gas is the fuel of choice for electrical power generation."

The consortium expects to spend Bt515m ($20.6m) exploring the Andaman area. The Petroleum Authority of Thailand (PTT) will have the ultimate say over whether commercial production begins after explorations results are known.

Unocal and Total, together with PTT's semi-autonomous exploration and production arm, are preparing to begin natural gas production in a Burmese section of the Andaman Sea. Gas from this field will be sold to Thailand.

● Thailand's liquefied petroleum gas output will rise to about 2m tonnes this year from 1.6m in 1995, Mr Prasert Bunsumpun, President of the PTT said in Singapore yesterday.

Mr Prasert predicted that due to new refining capacity to come on stream soon, the country will become a net LPG exporter with a surplus of more than 500,000 tonnes in 1997, rising to 700,000 tonnes by the end of the decade.

Kenyan tea authority feels the strain

Michela Wrong reports on a success story that has begun to turn sour

For years it was hailed as a model of successful small-scale agriculture, a shining example on a continent plagued by inept marketing boards of how a properly-run parastatal could further farmers' interests. Today it stands accused of mismanagement, its executives suspected of corruption and overspending. Opposition MPs claim it teeters on the edge of collapse and some of its farmers are so disillusioned they last year staged a two-month strike.

What went wrong with the Kenya Tea Development Authority?

As the economic reform process takes hold in Kenya, the parastatal that has defined the shape of its tea industry for more than 30 years has reached a turning point in its history. Its role is being questioned as never before.

"It's a bit like the feeling at independence or when multi-partyism came to Kenya," confesses a KTDA official. "There is a euphoria in the air. The trouble is, all the farmers expect to get something for nothing."

Ironically, if KTDA is experiencing an existential crisis today, it is in large part because of its phenomenal past success. Set up in 1964, with the help of Britain's Commonwealth Development Corporation, the authority originally provided 7,000 farmers with credits, fertilisers, transport and monthly payments. Farmers owned shares in the factories it built and were represented all the way up to the board in Nairobi.

'The trouble is, all the farmers expect to get something for nothing'

Today it caters for 268,000 farmers, their plots averaging less than an acre, and 3.4m Kenyans depend on it for a livelihood. A fleet of over 400 lorries traverses the highland growing areas, ferrying produce to 44 factories.

Kenya's share of global tea production has increased from 6.4 per cent ten years ago to 8.5 in 1995 and it could soon challenge Sri Lanka as the world's second biggest producer. And that is a tribute to KTDA, rather than the large private estates, which account for only 40 per cent of the crop.

"All the jumps in production in Kenya in the last five years can be attributed to KTDA, not the large estates," says Mr Stephen Nkanata, the Tea Board's planning officer. "If KTDA wasn't doing something right we wouldn't have seen those jumps in production."

National output of the high-quality black tea that fetches a premium on the world market was a record 244,500 tonnes last year, up 16 per cent on 1994. This year it is expected to come in at just under 250,000 tonnes.

Such success has its price. The rising bonuses of the 1990s led farmers to believe tea would always be a high earner. When bonuses dived towards the end of 1995 farmers accused the authority of diverting funds and two districts stopped picking. Official explanations that a world glut and sharp currency fluctuations were to blame were dismissed.

"Farmers expected to see the growth continue. But unfortunately KTDA is operating in a very sensitive environment and has no control over the international market," says Mr Kungu Gatabaki, CDC's country executive.

Underlying the complaints is the fact that the highly centralised KTDA looks in danger of collapsing under its own weight. Farmers complain about congested factories, poor planning, bad communications and lorries that never arrive, leaving their pickings to rot.

"There was a time when KTDA could do a bush count, today I doubt whether head office knows how much leaf there is in the country," says Mr Gatabaki. "It's clear there is more tea on the ground than they realise. Farmers have been planting faster than their capacity to keep up."

Public debate has now reached a pitch where change looks unavoidable. The government is studying the results of a consultants' report funded by the World Bank and Mr Simeon Nyachae, the agriculture minister, has promised to privatise. KTDA is canvassing members for suggestions.

Already the authority has taken steps to reduce the number of shares it holds in each factory to a nominal 100, encouraging farmers to buy up to the legal limit. Factories will also get greater powers to hire and fire locally and their own *fleets of lorries, instead of having* to call on the KTDA pool.

Insiders believe, however, that further steps are needed to decentralise the straining structure and increase accountability. Possibilities include giving factories responsibility for procurement, allowing them to team up with other factories to reduce costs or even to enter into partnership with the private estates. A successful streamlining, analysts believe, could increase KTDA's output by up to a half.

Whatever changes are made are bound to be cautious. With the livelihood of more than a seventh of its population at stake and the fate of its leading agricultural foreign exchange earner in the balance, Kenya cannot afford to stumble.

Australian farm income cut forecast

By Nikki Tait in Sydney

Farmers in Australia were warned this week that the value of their production was likely to dip again in the 1996-97 financial year, to around A$26bn ($US20m).

The downturn, predicted by the Australian Bureau of Agriculture Economics, the government-owned forecasting agency, follows an estimated 13 per cent rise in the current year – thanks partly to the reduced impact of drought conditions on the east coast and higher wheat prices.

Abare suggested that lower prices for livestock in 1996-97 could mean that the gross value of production in this sector falls by 2.2 per cent, while an easing in world grains price could mean a 3.1 per cent fall in the value of crop production. Overall, Abare calculated that farm production in 1996-97 would be down by around 2.7 per cent.

Farm costs, meanwhile, are projected to increase by 1.5 per cent, leaving the net value of farm production more than 25 per cent down at A$3.1bn.

However, the forecasting agency predicted a much brighter picture for the minerals sector, with the value of Australian mine production rising from A$33.2bn in the current year, to A$37bn, and new capital expenditure lifting from just under A$7bn to A$8.5bn.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1490-91	1527-8
Previous	1467.5-8.5	1505.6
High/low	1482.5/1481	1535/1512
AM Official	1482-3	1517-7.5
Kerb close		1521-2
Open int.	240,159	
Total daily turnover	48,218	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1250-60	1255-5
Previous	1240-50	1260-5
High/low		1305/1290
AM Official	1255-60	[illegible]
Kerb close		1292-3
Open int.	5,043	
Total daily turnover	762	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	796-7	803-4
Previous	799-800	804-5
High/low	797.5	807/802.5
AM Official	787-7.5	802.5-3.0
Kerb close		801.5-2.5
Open int.	33,365	
Total daily turnover	8,863	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7725-35	7835-40
Previous	7770-80	7875-85
High/low	7720	7900/7810
AM Official	7710-20	7820-30
Kerb close		7810-20
Open int.	43,169	
Total daily turnover	11,735	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6160-70	6195-200
Previous	6150-60	6175-80
High/low	6180/6140	6200/6175
AM Official	6148-50	6176-7
Kerb close		6180-5
Open int.	16,213	
Total daily turnover	3,625	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1002.5-3.5	1029-30
Previous	1005.5-6.5	1032-3
High/low		1033/1026
AM Official	1002-2.5	1029-9.5
Kerb close		1028-9
Open int.	70,759	
Total daily turnover	11,735	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2115-20	2033-35
Previous	2057-60	2002-5
High/low	2075/2070	2040/1995
AM Official	2070-75	2010-15
Kerb close		2010-11
Open int.	189,872	
Total daily turnover	110,508	

■ LME AM Official £/$ rate: 1.5480
LME Closing £/$ rate: 1.5437

Spot: 1.5437 3 mths: 1.5428 6 mths: 1.5429 9 mths: 1.5435

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	103.10	+4.25	103.10	98.00	589	1,785
Jul	97.20	+2.20	97.50	95.30	4,024	14,649
Aug	96.00	+1.80	96.00	96.00	547	1,718
Sep	94.90	+1.70	95.20	93.35	3,130	13,098
Oct	94.90	+1.50	95.00	94.50	31	1,013
Nov	94.40	+1.00	94.80	93.50	22	936
Total					8,998	85,021

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.10-385.50		
Opening	386.00-386.40		
Morning fix	386.00	249.79	481.265
Afternoon fix	386.30	250.00	482.682
Day's High	386.35-386.75		
Day's Low	385.00-385.40		
Previous close	385.10-385.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.34	6 months	4.25
2 months	4.31	12 months	4.05
3 months	4.30		

Silver Fix	p/troy oz.	US cts equiv.
Spot	337.40	521.10
3 months	341.70	527.45
6 months	345.95	534.20
1 year	354.80	548.20

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	248-250
Maple Leaf	396.45-398.85	-
New Sovereign	89-91	57-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	384.3	-1.1	[illegible]	384.5	15	68
Jul	385.1	-1.2	-	-	-	-
Aug	386.5	-1.2	387.7	386.4	18,236	87,617
Oct	389.3	-1.2	391.6	390.0	182	7,580
Dec	392.1	-1.2	394.5	392.0	235	35,664
Feb	394.8	-1.2	396.9	395.6	-	-
Total					18,891	162,485

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	394.9	-0.8	396.8	394.7	1,258	12,544
Oct	397.8	-0.8	399.7	397.5	767	11,831
Jan	400.8	-0.8	402.5	401.5	3	1,297
Apr	403.8	-0.8	404.5	404.5	10	1,776
Jul	407.1	-0.8	-	-	4	26
Total					2,040	27,574

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	130.45	+0.45	-	-	1	18
Sep	130.95	+0.45	131.00	130.20	235	7,081
Dec	[illegible]	+0.45	132.25	132.00	20	915
Jun	134.00	+0.45	-	-	-	106
Total					241	8,133

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	510.3	-6.3	-	-	-	-
Jul	511.2	-6.3	522.0	509.0	11,066	52,885
Aug	513.8	-6.3	-	-	-	-
Sep	516.8	-6.3	528.0	515.0	2,371	31,627
Dec	524.8	-6.3	535.5	524.0	1,599	14,422
Mar	533.0	-6.3	544.0	535.0	54	5,400
Total					15,078	114,[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.65	-0.01	21.67	20.60	48,606	38,5[illegible]
Aug	19.84	-0.37	20.40	19.77	51,782	81,060
Sep	19.23	-0.29	19.64	19.18	10,890	38,653
Oct	18.83	-0.22	19.16	18.76	4,367	28,711
Nov	18.53	[illegible]	18.85	18.50	905	22,361
Dec	18.33	-0.23	18.63	18.30	3,144	34,073
Total					121,242	377,[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.11	-0.08	18.50	18.11	9,865	78,448
Sep	17.70	-0.15	18.06	17.70	3,615	24,507
Oct	17.43	-0.18	17.71	17.43	1,488	18,191
Nov	17.28	-0.10	17.42	17.28	120	5,210
Dec	17.10	-0.08	17.35	17.10	506	12,147
Jan	17.10	+0.08	17.10	17.10	500	12,402
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	51.05	-1.45	52.65	50.80	8,060	18,574
Aug	51.50	-1.36	52.80	51.10	5,226	19,962
Sep	52.00	-1.26	53.25	51.85	1,334	9,703
Oct	52.60	-1.11	53.70	52.50	152	5,527
Nov	53.20	-0.96	54.15	53.00	169	6,872
Dec	53.65	-1.01	54.75	53.55	1,264	18,429
Total					16,802	89,799

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	160.50	-2.75	163.50	160.50	4,022	18,009
Aug	160.00	-2.00	161.75	160.00	1,591	11,116
Sep	160.50	-1.75	162.00	160.50	347	7,362
Oct	161.00	-1.75	162.25	162.25	214	2,675
Nov	161.50	-1.75	159.75	159.75	10	1,530
Dec	161.75	-2.00	164.00	163.00	260	9,489
Total					6,490	54,3[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.635	+0.025	2.700	2.580	28,022	24,247
Aug	2.665	+0.007	2.745	2.630	14,168	36,037
Sep	2.660	+0.019	2.715	2.635	4,618	20,118
Oct	2.635	+0.018	2.660	2.619	2,505	17,626
Nov	2.835	+0.015	2.680	2.620	1,297	11,632
Dec	2.682	+0.012	2.720	2.695	1,833	13,455
Total					55,678	167,636

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	58.20	-2.04	60.50	57.80	12,883	23,180
Aug	58.15	-1.73	60.00	58.00	6,742	20,176
Sep	57.40	-1.18	58.70	57.30	1,311	8,443
Oct	55.40	-0.83	56.25	55.40	845	2,449
Nov	54.40	-0.38	54.80	54.40	262	1,129
Dec	53.50	-0.38	53.80	53.50	470	1,404
Total					22,551	68,308

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	115.30	+0.40	115.75	114.75	112	611
Sep	112.90	+0.65	113.00	112.60	[illegible]	262
Nov	114.80	+0.25	115.00	114.50	99	3,039
Jan	116.80	-	116.80	116.80	40	1,013
Mar	118.60	-	118.60	118.60	10	289
May	120.60	-	120.60	120.60	3	131
Total					365	5,4[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	498.00	-9.00	502.00	492.60	16,957	30,447
Sep	497.20	-7.00	504.50	495.00	6,383	28,911
Dec	506.00	[illegible]	514.50	[illegible]	4,071	[illegible]
Mar	505.75	-6.25	513.00	505.25	[illegible]	2,093
May	478.00	-2.00	485.00	483.00	5	111
Jul	434.00	-1.00	436.00	433.00	61	1,710
Total					28,062	82,167

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	473.60	+8.00	478.50	469.50	15,418	83,104
Sep	384.00	-8.00	398.00	383.00	12,350	65,998
Dec	348.50	-7.75	358.25	348.00	38,052	165,585
Mar	354.00	-7.75	365.50	353.00	1,313	21,490
May	356.50	-6.50	360.00	358.00	292	4,277
Jul	358.00	-7.00	368.00	365.00	247	4,482
Total					68,243	348,810

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	104.90	-0.65	-	-	-	73
Nov	106.75	-0.40	107.00	107.00	45	722
Jan	109.00	-0.25	109.00	109.00	4	141
Mar	110.65	-1.10	-	-	-	41
May	112.00	-1.00	-	-	-	8
Total					49	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	783.00	-8.00	791.00	782.00	17,198	41,149
Aug	777.25	-8.25	788.00	776.50	8,571	22,667
Sep	759.75	-8.50	763.50	759.00	1,079	8,158
Nov	750.00	-8.50	759.00	748.50	38,931	93,727
Jan	758.00	-8.25	768.25	755.00	721	7,274
Mar	763.00	-8.50	766.00	762.00	291	3,718
Total					65,482	184,909

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	25.84	-0.15	25.93	25.78	8,846	24,088
Aug	25.98	-0.20	26.13	25.96	7,084	16,488
Sep	26.20	-0.20	26.32	26.18	1,953	8,499
Oct	26.39	-0.18	26.50	26.37	1,522	6,498
Dec	26.69	-0.21	26.82	26.68	6,377	24,922
Jan	26.75	-0.26	27.10	26.98	66	2,001
Total					25,989	85,491

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	242.2	-2.7	243.8	242.0	15,137	31,493
Aug	241.8	-2.4	243.4	241.5	5,843	15,457
Sep	239.3	-2.0	241.0	239.3	1,231	9,369
Oct	235.0	-2.3	236.9	235.0	875	4,877
Dec	234.3	-2.9	236.6	234.0	5,011	23,217
Jan	234.3	-2.7	235.3	234.8	156	2,256
Total					29,695	89,529

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	147.0	-2.5	149.0	146.0	75	1,175
May	160.0	-	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					78	1178

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	1233	-12	1235	1235	5	547
Jul	1156	-24	1170	1156	84	2,039
Aug	1157	-16	1165	1160	22	181
Oct	1262	-20	1265	1260	4	1,446
Jan	1277	-16	1277	1275	7	220
Apr	1280	-15	1280	1280	5	87
Total					132	4,514

	Close	Prev
BFI	1249	1268

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group: US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,300 CFR/FOT MEP, steady. US almonds (shelled), tight availability for 1995 crop; New crop 18/20 NPS 5,510 FAS California, September/October shipment. New crop estimates due June 28. US walnuts LHP 20% – 1995 crop 5,600 FAS California; new crop 5,089 September/October shipment. Indian cashews raw: W-320, 5,850 spot Europe – down as Indian shippers need raw material; from origin at 6,050 CFR for second half of 1996. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop, 2,800 FOB MEP; new crop at 2,900 FOB MEP – new crop estimate coming shortly. Pine nut kernels: Chinese defaulting due to price increase from 10,000, supply very limited. Israeli sunflower seed – new crop 8mm+ estimate 1,900 CFR.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1077	-22	1105	1072	1,868	8,537
Sep	1102	-22	1135	1098	2,223	44,895
Dec	1042	-5	1062	1036	3,341	40,059
Mar	1039	-5	1058	1036	2,498	40,934
May	1049	-4	1067	1048	732	20,156
Jul	1068	-6	1073	1066	368	10,159
Total					11,103	176,[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1374	-14	1395	1369	265	809
Sep	1410	-28	1446	1406	2,802	36,846
Dec	1431	-27	1466	1430	[illegible]	[illegible]
Mar	1446	-27	1477	1443	166	13,359
May	1458	-25	1483	1468	12	6,877
Jul	1468	-25	1490	1480	-	5,909
Total					3,719	87,790

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jun 18		
Daily	1089.78	1097.20

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1907	+30	1950	1885	4,401	9,967
Sep	1810	+8	1850	1804	5,982	10,713
Nov	1781	-1	1825	1775	452	3,883
Jan	1740	-16	1785	1730	380	2,512
Mar	1690	-	1730	1700	70	659
May	1696	+10	1730	1720	23	67
Total					11,966	27,801

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	121.90	-0.80	125.70	119.60	5,610	4,463
Sep	117.80	-0.10	119.90	116.00	6,462	13,135
Dec	114.75	+0.15	116.80	113.60	737	4,881
Mar	112.65	+0.55	114.60	112.30	134	1,231
May	112.25	+0.75	113.25	112.25	49	345
Jul	110.25	-0.50	-	-	-	50
Total					13,214	24,116

■ COFFEE (ICO) (US cents/pound)

Jun 18		Prev. day
Comp. daily	108.14	108.52
15 day average	104.81	104.92

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	383.7	-1.8	385.0	378.5	668	9,428
Oct	347.8	+0.8	347.5	344.0	422	7,111
Dec	335.4	+1.2	334.1	332.5	136	3,930
Mar	329.9	+0.6	329.4	328.0	54	4,163
May	328.6	+0.7	328.4	327.0	22	2,086
Aug	326.8	+0.6	-	-	-	731
Total						27,918

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.59	+0.05	11.64	11.42	17,324	35,017
Oct	11.16	-	11.19	11.03	13,200	54,421
Mar	10.85	+0.01	10.85	10.78	2,599	34,429
May	10.70	-	10.70	10.65	761	11,605
Jul	10.57	-0.01	10.58	10.56	261	10,365
Oct	10.48	-0.01	10.51	10.48	48	4,593
Total					34,201	150,949

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	76.50	-1.68	77.95	75.80	7,365	8,151
Oct	75.95	-0.35	76.65	75.80	1,090	6,253
Dec	75.87	-0.04	76.40	75.65	8,307	33,650
Mar	77.05	-0.03	77.60	76.95	729	5,898
May	77.70	-0.10	78.00	77.65	780	2,899
Jul	78.15	-0.10	78.35	78.20	125	1,532
Total					18,426	61,412

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	123.35	-2.25	126.50	122.00	3,843	6,929
Sep	120.75	-2.20	123.70	120.05	2,532	7,761
Nov	117.50	-0.75	119.75	117.50	65	1,984
Jan	116.00	-0.50	117.00	116.00	40	3,770
Mar	116.00	+0.05	116.00	116.00	31	298
May	119.00	-0.05	-	-	54	183
Total					6,650	20,577

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 19	Jun 18	month ago	year ago
2051.6	2045.1	2128.0	2299.0

■ CRB Futures (Base: 1967=100)

Jun 18	Jun 17	month ago	year ago
251.40	250.51	257.59	na

■ GSCI Spot (Base: 1970=100)

Jun 18	Jun 17	month ago	year ago
202.45	202.62	212.03	177.82

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	62.075	-0.200	62.700	61.900	1,784	2,980
Aug	65.150	-0.025	65.500	64.700	7,567	40,294
Oct	66.400	+0.325	66.550	65.800	2,681	23,899
Dec	64.400	+0.325	64.500	63.825	1,570	11,311
Feb	63.475	+0.300	63.625	63.075	761	11,488
Apr	66.300	+0.200	66.350	66.000	181	3,360
Total					14,575	94,[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	57.975	-1.800	58.850	57.975	1,637	1,898
Jul	54.150	-1.100	55.425	53.900	3,667	7,980
Aug	51.400	-0.675	52.050	51.000	3,039	11,617
Oct	47.525	+0.050	47.900	46.950	1,936	9,011
Dec	50.925	+0.225	51.100	50.200	1,120	6,112
Feb	73.450	+0.075	73.650	72.700	219	1,652
Total					11,861	38,394

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	88.750	-2.000	90.750	88.750	431	3,642
Aug	66.175	-2.000	67.700	66.175	782	3,129
Feb	73.450	-1.600	74.500	73.050	240	792
Mar	75.000	-2.000	76.000	75.000	5	67
May	76.000	-2.900	77.000	77.000	-	54
Total					1,468	7,674

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	102	137	1	12
1500	24	69	22	42
1600	1	27	99	99
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1900	169	201	15	78
2000	113	146	39	122
2100	69	103	84	176
■ COFFEE LCE	Jul		Jul	
1800	66		1	
1850	18		11	
1900	2		45	
■ COCOA LCE	Jul	Sep	Jul	Sep
1075	7	66	5	41
1100	1	55	24	58
1125	-	44	48	67
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1750	-	-	17	35
1800	-	-	38	56
1850	40	-	45	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.88-6.96	-0.46
Brent Blend (dated)	$18.39-8.45	-0.38
Brent Blend (Aug)	$18.11-8.13	-0.43
W.T.I.	$19.83-9.85x	-0.62

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$203-205	-1
Gas Oil	$165-166	-3.5
Heavy Fuel Oil	$98-99	+2
Naphtha	$172-174	-1
Jet fuel	$189-190	-2
Diesel	$167-169	-3

■ NATURAL GAS (Pence/therm)

Bacton (Jul)	12.90-13.25	+0.075

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

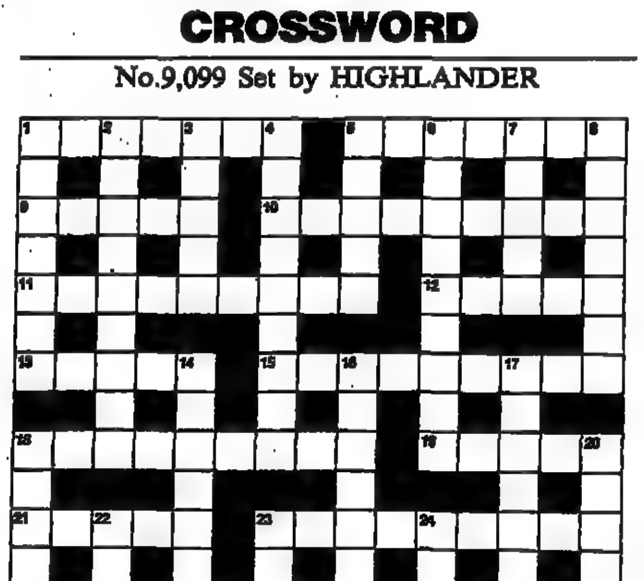
Gold (per troy oz)♣	$385.30	
Silver (per troy oz)♣	518.50c	
Platinum (per troy oz.)	$394.00	+1.5
Palladium (per troy oz.)	$129.00	-0.75
Copper	116.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.15r	+0.04
Tin (New York)	288.50	
Cattle (live weight)	97.67p	-3.32*
Sheep (live weight)	112.84p	-17.43*
Pigs (live weight)†	116.16p	+2.05*
Lon. day sugar (raw)	$288.40	-11.1
Lon. day sugar (wte)	$400.0	-8.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)¥	100.00p	-0.75
Rubber (Sep)¥	100.00p	-0.75
Rubber (KL RSS No1)	373.00m	+0.5
Coconut Oil (Phil)§	$505.0w	-5.0
Palm Oil (Malay)§	$552.5w	+5.0
Copra (Phil)§	[illegible]	
Soyabeans (US)	217.0	+5
Cotton Outlook'A' index	82.80c	-0.10
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. [illegible] London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,397 head of pigs sold.

JOTTER PAD

CROSSWORD

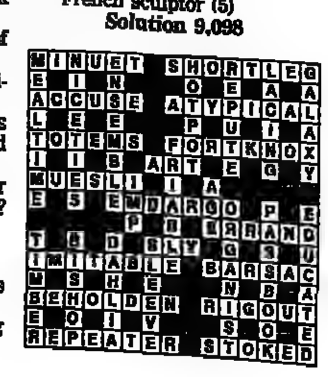
No.9,099 Set by HIGHLANDER



ACROSS
1 Stepped back to protect chap sleeping (7)
5 It's wrong to await settlement for payment (7)
9 Raised very quietly after university education (5)
10 Get rid of old length found in metal dealer's premises (5-4)
11 View opposite to flat? You'll have to hurry up (4,5)
12 "The end of wireless is wrong?" More than one spoke (5)
13 Inadequate son is unable to (5)
15 Come across a couple of points to parry (9)
18 Came up with tin construction operated by compressed air (9)
19 It's a rotten nuisance having to contain boredom (5)
21 Daisy is old and cross, I said (5)
23 When old Iranian is heard making disparaging remark (9)
25 His topic: a different form of nut (9)
26 How many sleep? An indefinite number (5)
27 Traditionally sweet number is next, composed about the end of June (7)
28 Any gone off to look for returning Civil War victors? (7)

DOWN
1 Twice first to serve in tennis match (7)
2 Note on process of validating will reveal villain (9)
3 Military assistants on a fateful day during Caesar's March (5)
4 Religious books will .... (9)
5 .... bind sections up (5)
6 I'm pure and not corrupted by plague (9)
7 Antelope shows spirit and first sign of daring (5)
8 Go dried out – it's more dangerous (7)
14 Paddy took food after becoming sober (9)
16 Discord about business fraud (9)
17 Preserve diminutive girl's old car (3,6)
18 Urges inclusion of exercises in concerts (7)
20 Gambling profits exclude women's batting total (7)
22 County which gives directions to it (5)
23 Colourless like bird made from wood (5)
24 Fashionable bar first used by French sculptor (5)

Solution 9,098



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Prices fall on fears of possible Japanese rate rise

By Richard Lapper in London and Lisa Bransten in New York

Fears of an interest rate rise in Japan weighed on government bond markets yesterday. Reports of a possible rise in rates after Tuesday's stronger than expected GDP figures were downplayed by many analysts, but led to some selling in early trading in New York. The mood spilled into Europe, with most markets ending the day slightly lower.

■ US Treasury prices were volatile through the early part of the session as the dollar waxed and waned on speculation about Japanese interest rates. Just after midday, the benchmark-30-year Treasury was $\frac{5}{32}$ stronger at $86\frac{5}{32}$ to yield 7.087 per cent, while at the short end of the maturity spectrum, the two-year note was off $\frac{1}{32}$ at $99\frac{7}{16}$, yielding 6.292 per cent. The September 30-year Treasury bond future was $\frac{1}{32}$ lower at 107.

Bonds were weaker in early trading following the reports that the Bank of Japan was considering raising interest rates.

Later in the session, however, both the dollar and bonds regained ground. The markets reacted positively to the midday release of the Federal Reserve's report on economic conditions, prepared in advance of the July 2-3 meeting of the Fed's Open Market Committee meeting.

According to the Beige Book, as the report is known, the economy is growing "at a moderate pace" and there are continued signs of tightness in labour markets.

The report was similar to the one prepared last month for the May 21 FOMC meeting. Mr John Spinello, a government securities strategist at Merrill Lynch, said the market began to recover from its losses before noon and was able to hold on to some upward momentum when the "Beige Book" proved relatively neutral to the market.

GOVERNMENT BONDS

■ In Germany, bunds were weakened by the latest IFO survey of business confidence, which suggested a slight improvement in conditions. Prices dipped further on the Japanese rate cut fears. At Liffe the September 10-year bund contract fell to a low of 94.59 before recovering to close at 94.78, down 0.10. The benchmark 10-year bond fell 0.29 to yield 6.65 per cent, a rise of 4 basis points.

■ Although most European markets closed lower, Italy, Sweden and Ireland were exceptions. Italy and Sweden's 10-year yield spread over Germany narrowed, respectively, by 1, to 296 basis points, and by 4, to 177 basis points. At Liffe the September BTP contract settled nearly half a point lower at 115.69, but later recovered in automated pit trading, reaching a late afternoon high of 116.20. The September three-month eurolira contract closed at 92.06, up 0.07.

Most analysts expect the underlying trend of Italian outperformance to resume, after the expected approval this week of the mini-budget and the release of June CPI figures.

CPI is expected to fall to 3.9 per cent, after publication yesterday of preliminary consumer prices data from Milan, Palermo and Trieste.

Several analysts predict the spread could narrow quite quickly to 250 basis points.

Mr Kirit Shah, chief market strategist at Sanwa, was more cautious, arguing that there was scope for a fall to 275 basis points. He described Italy as a "trading buy but a strategic sell". Mr Paul Abberley, head of fixed income at Lombard Odier, pointed out that some fund managers were opting to sell in the 10-year sector and buy shorter-dated paper, cutting the duration of their portfolios.

■ Gilts were underpinned by weaker than expected retail sales figures, but lost ground in the afternoon in line with the broader trend, with the 10-year benchmark gilt closing down $\frac{1}{32}$, with a yield of 8.1 per cent.

The September long gilt settled unchanged at $104\frac{13}{32}$. Even so, gilts continue to outperform Germany, with the 10-year yield spread narrowing by 1 basis point to 163. Analysts pointed to some buying activity by international fund managers.

But Mr Andrew Davies, analyst with the London Bond Broking Company, said he expected some investors to sell gilts as soon as the spread began to approach 160 basis points. Arguing that a rising public sector borrowing requirement could depress prices, he said: "It has tightened enough. I would not be surprised to find some accounts – from conservative insurance companies and pension funds – taking advantage and moving into Germany."

Warm welcome for Ina offering

By Antonia Sharpe

Italy yesterday resumed its privatisation programme with the launch of an offering of bonds exchangeable into its remaining shareholding in Ina, the insurance company.

Although some countries have issued "privatisation bonds", this is the first time a Group of Seven nation has issued a bond exchangeable into a specific company.

The government has a 34.38 per cent stake in Ina, but the $1.3bn offering of five-year bonds, denominated either in dollars or lire, will be exchangeable into about 21 per cent of the company, including an over-allotment option of 2.7 per cent.

However, if demand for the bonds exceeds the amount on offer, the government could increase the offering to match its entire shareholding. Yesterday this appeared a possibility because the offering, via Goldman Sachs and IMI, was already over-subscribed.

Investors would welcome such a move because it would rid the market of an overhang of Ina stock. The poor performance of Ina's shares since the company was privatised two years ago is one of the main reasons why the government chose not to reduce its stake through another offering of shares. Ina shares closed yesterday at L2,212, compared with a flotation price of L2,400.

The risk to the government is that the bonds will not be exchanged for shares, but it is confident that the positive outlook for Ina will lead to a high exchange rate. Even if the rate is low, the government will have saved itself $130m in funding costs, because the coupon on the exchangeable bonds is about 250 basis points lower than that on five-year government bonds.

The indicated coupon on the lira-denominated bonds is 6¼ to 7 per cent, and 5 to 5¼ per cent on the dollar-denominated bonds. The exchange premium on both tranches is 13 to 16 per cent. The bonds are set to be priced on Friday.

RheinHyp makes debut with DM2bn Pfandbrief

By Conner Middelmann

The eurobond market saw an array of medium-sized transactions in a wide range of currencies yesterday.

Rheinische Hypothekenbank, Germany's fourth-largest mortgage bank in terms of assets, priced its DM2bn issue of global "öffentliche Pfandbriefe" – bonds backed by loans to the public sector – and the underwriters reported strong international demand for the triple-A rated five-year bonds.

It was RheinHyp's first foray into the international market, and only the third global Pfandbrief issue after two such deals from Depfa Bank. The paper was priced to yield 26 basis points over the benchmark five-year government note and 5 basis points through the much less liquid domestic Pfandbrief market.

According to Commerzbank, joint lead with Merrill Lynch and Union Bank of Switzerland, some 20 per cent of the paper went to US investors, 40 per cent to institutions in the east Asia, and 30 per cent to Europe – notably Austria, the UK, France and Scandinavia – and the Middle East. Only 10 per cent was placed in Germany.

INTERNATIONAL BONDS

"Although the domestic market remains important for us, we want to become much more active on the international capital market, and this deal built a good foundation for future funding activity," said Mr Rüdiger Luchmann, RheinHyp's Treasurer. "We will continue looking at global issues, but we are also setting up a financing subsidiary in the Netherlands which will enable us to tap the eurobond market for unsecured bonds," he said. RheinHyp, which is 96.7 per cent owned by Commerzbank, raised DM17bn last year and could borrow a similar amount this year.

In the US dollar sector, Commonwealth Bank of Australia issued $250m of three-year bonds, priced to yield a mere 6 basis points over Treasuries. While that spread appears tight for a borrower rated Aa2/AA, lead manager Morgan Stanley pointed out that the bonds essentially represent sovereign risk since they are backed by the Australian government. Moreover, as CBA was being privatised, this was likely to have been its last government-guaranteed issue, lending it rarity value.

Elsewhere, FEN, the financing vehicle for Colombia's electricity generation and distribution system, issued $250m of 10-year bonds due to be priced today at a spread of 245-250 basis points over Treasuries. The company is 94 per cent state-owned and its assets are 80 per cent guaranteed, so it is essentially a sovereign risk and shares Columbia's BBB-investment-grade rating. J.P. Morgan and Salomon Brothers jointly led the deal, which was largely aimed at US accounts.

Elsewhere in the US, the City of Naples issued $195m of 10-year amortising yankee bonds, becoming the first Italian municipality to issue a bond, lead Merrill Lynch said. The issue was increased from the original $175m size due to strong demand, it added.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Italy(a)§	1.17bn	(a1)#	100.00	Jun 2001	2.00	-	Goldman Sachs/IMI
FEN	250	(b)#	(b)	2006	0.65R	(b)(6¾%-06)	JP Morgan/Salomon
Commonwealth Bk of Australia	250	6.625	99.958R	Jul 1999	0.1875R	+6(6¾%-99)	Morgan Stanley & Co Intl
Landesbank Rheinland-Pfalz(f)	100	(c)	99.485R	Aug 2000	0.225R	+22(6¾%-99)	Kredietbank Intl Group
YEN							
BNG*	10bn	(d)	100.20	Jun 2026	0.20	-	IBJ International
SWISS FRANCS							
Bayerische Landesbank	150	4.25	102.875	Jul 2001	2.00	-	Credit Suisse
Deutsche Finance Nethe(e)§	100	1.00	101.00	Jul 2001	2.00	-	Deutsche MG/SBC Warburg
FRENCH FRANCS							
Bayerische Hypothekenbank‡	1bn	(f)	100.025R	Jul 1998	0.15R	-	CCF
CANADIAN DOLLARS							
Province of Ontario*	100	6.25#	100.00	Jul 1999	0.30	-	IBJ Intl/Wako Intl
AUSTRALIAN DOLLARS							
National Australia Bank(g)	75	8.75	101.78	Jul 2000	1.75	-	ABN Amro Hoare Govett
NEW ZEALAND DOLLARS							
World Bank(h)	100	9.00	101.05	Jul 1999	1.50	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: Friday. Lira and US$ tranches exchangeable into INA shares or ADSs respectively. Amounts to be finalised. Callable from 28/6/00 at par. Greenshoe: 15%. b) Priced today at 245-250bp over Treasuries. c) 5% to 8/8/98, then 6½%. d) 7.40% in Aus$ or 5.15% in DM or 5.95% in US$. e) Fixed today. f) 3-mth Pibor +20bp to July 1997, then 5% fixed annual. g) A$100m launched 26/6/96 was increased to A$175m. h) NZ$100m launched 4/6/96 was increased to NZ$200m. i) Long 1st coupon.

Portugese derivatives await repo market

By Peter Wise in Lisbon

Portugal's derivatives market begins trading in Oporto today with the underlying cash market in Lisbon reaching record highs. But foreign investment is expected to be limited until a "repo" market to facilitate funding in escudos is set up later this year.

The PSI-20 stock index future and the OT-10 Future on 10-year government bonds start trading today, with a third contract on the short-term money market rate, Lisbor, planned for July.

Analysts attribute the buoyancy of the Lisbon cash market, where the BVL-30 index remains close to last Friday's record high of 1,914.74, to the opening of the BDL, as well as optimism over recent and coming privatisation issues.

Mr Manuel Alves Monteiro, chief executive of the BDL, is confident the market will develop substantial volume by the end of the year.

But he acknowledges the absence of a "repo" market providing cheaper funding in escudos than the money market will initially limit foreign investment. The "repo" market, held up partly by a wrangle over location, is expected to be operating in a few months.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	105.8520	-0.210	8.95	9.03	8.95
Austria		6.250	05/06	95.8200	-0.050	6.55	6.48	6.47
Belgium		7.000	05/06	100.8600	-0.140	6.87	6.72	6.66
Canada *		7.000	12/06	93.4500	-0.440	7.98	7.85	7.78
Denmark		8.000	03/06	102.7900	-0.100	7.58	7.46	7.45
France	BTAN	5.750	03/01	100.0000	-0.130	5.74	5.59	5.54
	OAT	7.250	04/06	104.3700	-0.140	6.63	6.51	6.45
Germany Bund		6.250	04/06	97.1900	-0.290	6.65	6.56	6.45
Ireland		8.000	08/06	101.0900	+0.090	7.83	7.78	7.68
Italy		9.500	02/06	100.7800	+0.590	9.37†	9.39	9.70
Japan	No 140	6.600	06/01	119.1191	-0.090	2.32	2.27	2.47
	No 182	3.000	09/05	98.2940	+0.110	3.24	3.16	3.37
Netherlands		6.000	01/06	96.0400	-0.130	6.57	6.43	6.35
Portugal		11.875	02/05	117.1000	-0.590	8.94	8.85	9.16
Spain		8.800	04/06	97.8800	-0.010	9.11	9.07	9.24
Sweden		6.000	02/05	85.6278	+0.220	8.40	8.42	8.66
UK Gilts		8.000	12/00	102-11	-	7.37	7.32	7.41
		7.500	12/06	95-25	-1/32	8.10	8.04	8.04
		9.000	10/08	105-31	+6/32	8.22	8.15	8.14
US Treasury *		6.875	05/06	99-13	-16/32	6.96	6.96	6.69
		6.000	02/26	86-11	-20/32	7.11	7.13	6.92
ECU (French Govt)		7.500	04/05	102.6500	-0.030	7.06	6.99	6.92

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.39
Prime rate	8¼	Two month	-	Three year	6.48
Broker loan rate	7	Three month	5.20	Five year	6.71
Fed.funds	5½	Six month	5.45	10-year	6.90
Fed.funds at intervention	-	One year	5.75	30-year	7.09

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	120.94	120.78	-0.14	121.04	120.72	109,374	144,323
Dec	119.70	119.54	-0.14	119.80	119.50	1,818	15,744
Mar	119.56	119.38	-0.18	119.56	119.56	2	661

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
120	1.16	-	-	0.43	0.41	0.71
121	0.19	0.50	0.91	1.23	0.77	1.10
122	0.01	0.18	0.47	-	1.41	-
123	-	0.07	0.23	-	-	-
124	-	-	0.06	-	-	-

Est. vol. total, Calls 7,281 Puts 13,748. Previous day's open int., Calls 123,881 Puts 132,308.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.76	94.78	-0.10	95.00	94.59	129950	194554
Dec	93.95	93.84	-0.14	93.95	93.92	69	1541

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9450	0.36	0.79	1.03	0.96	0.06	0.51	0.75	1.64
9500	0.08	0.52	0.75	0.78	0.30	0.74	0.97	1.94
9550	0.01	0.31	0.52	0.60	0.73	1.03	1.24	2.26

Est. vol. total, Calls 18411 Puts 26105. Previous day's open int., Calls 144436 Puts 170709

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.00	115.69	-0.05	116.20	115.57	40629	56619
Dec	115.12	114.99	-0.05	115.12	115.12	13	233

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11550	1.61	1.97	1.32	2.46
11600	1.26	1.73	1.57	2.74
11650	1.04	1.51	1.85	3.02

Est. vol. total, Calls 3127 Puts 1336. Previous day's open int., Calls 60436 Puts 50743

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.70	96.66	+0.01	96.89	96.42	49,328	49,328

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-30	105-29	-	106-04	105-27	877	11031
Sep	104-28	104-26	-	105-04	104-22	38210	113101

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
104	0-54	1-24	1-49	1-66	0-02	0-36	0-60	2-04
105	0-10	0-50	1-08	1-28	0-22	0-62	1-20	2-40
106	0-01	0-26	0-45	1-06	1-13	1-39	1-57	3-17

Est. vol. total, Calls 1910 Puts 2982. Previous day's open int., Calls 20267 Puts 24017

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	89.96	89.94	-	90.12	89.88	1,771	6,294

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-13	107-08	-0-11	107-22	107-08	10,561	26,379
Sep	107-00	106-23	-0-10	107-05	106-21	313,179	401,097
Dec	106-10	106-04	-0-12	106-19	106-04	299	14,593

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.46			118.57	118.00	4496	0
Dec	117.55			117.55	117.49	120	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jun 19	Day's change %	Tue Jun 18	Accrued interest	xd adj. ytd		Low coupon yield Jun 19	Low Jun 18	Low Yr. ago	Medium coupon yield Jun 19	Medium Jun 18	Medium Yr. ago	High coupon yield Jun 19	High Jun 18	High Yr. ago
1 Up to 5 years (22)	121.86	0.07	121.78	2.88	4.28	5 yrs	7.48	7.50	7.90	7.52	7.54	7.90	7.62	7.64	7.97
2 5-15 years (19)	144.64	0.03	144.60	2.03	5.64	15 yrs	8.30	8.30	8.19	8.31	8.31	8.20	8.35	8.40	8.31
3 Over 15 years (9)	158.66	-0.08	158.74	2.91	5.43	20 yrs	8.38	8.39	8.19	8.39	8.38	8.21	8.43	8.46	8.32
4 Irredeemables (6)	179.98	0.55	179.00	1.99	8.12	Irred.†	8.41	8.45	8.27						
5 All stocks (56)	140.84	0.03	140.80	2.47	5.13										

Index-linked							Inflation 5% Jun 19	Jun 18	Yr. ago	Inflation 10% Jun 19	Jun 18	Yr. ago
6 Up to 5 years (1)	197.31	0.05	197.22	1.32	4.43	Up to 5 yrs	2.75	2.76	3.31	1.18	1.19	1.88
7 Over 5 years (11)	185.90	0.07	185.76	1.59	1.81	Over 5 yrs	3.85	3.85	3.66	3.63	3.63	3.46
8 All stocks (12)	186.03	0.07	185.89	1.58	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13	Yr ago	High*	Low*
Govt. Secs. (UK)	92.03	91.92	92.20	92.04	92.44	92.88	96.34	91.59
Fixed Interest	111.39	111.39	111.40	111.66	111.86	112.23	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 18	Jun 17	Jun 14	Jun 13	Jun 12
Gilt Edged bargains	102.0	55.2	77.3	75.9	77.9
5-day average	77.7	74.3	78.1	81.2	86.7

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 2pc 1996		0.91	5.70	219$\frac{3}{32}$	+⅛	219$\frac{3}{32}$	210⅛
Conversion 10pc 1996		9.84	5.74	101$\frac{21}{32}$	-$\frac{1}{32}$	104$\frac{1}{32}$	101$\frac{13}{32}$
Treas 13¼pc 1997‡‡		12.70	5.70	104$\frac{3}{32}$	—	108$\frac{11}{32}$	104$\frac{3}{32}$
Exch 10½pc 1997		10.19	5.78	103$\frac{1}{16}$	-$\frac{1}{32}$	105$\frac{13}{32}$	103$\frac{1}{32}$
Treas Cnv 7pc 1997‡‡		6.92	5.90	101⅛	—	101$\frac{13}{32}$	98$\frac{21}{32}$
Treas 8¾pc 1997‡‡		8.49	6.05	103$\frac{3}{32}$	—	104$\frac{1}{32}$	101$\frac{13}{32}$
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 7½pc 2006‡‡		7.83	8.14	95⅞	-$\frac{1}{32}$	101$\frac{1}{32}$	94$\frac{21}{32}$
Treas 7¾pc 2006‡‡		7.97	8.14	97$\frac{5}{32}$	-$\frac{1}{32}$	103⅛	94$\frac{3}{16}$
Treas 8pc 2002-6‡‡		8.04	8.10	99$\frac{1}{32}$	—	104$\frac{11}{32}$	95$\frac{11}{16}$
Treas 11¾pc 2003-7		9.84	7.92	119⅜	+$\frac{1}{32}$	125$\frac{3}{32}$	117$\frac{1}{32}$
Treas 8½pc 2007‡‡		8.32	8.18	102$\frac{7}{32}$	-$\frac{1}{32}$	[illegible]	[illegible]
Treas 13½pc 2004-8		10.27	7.97	131$\frac{13}{32}$	+$\frac{1}{32}$	138$\frac{13}{32}$	129⅜
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	1.19	2.75	113$\frac{5}{32}$	+$\frac{1}{32}$	113⅝	110⅝
2½pc '01	(78.3)	3.12	3.69	179	+$\frac{1}{32}$	180$\frac{5}{32}$	173$\frac{13}{16}$
2½pc '03	(78.8)	3.34	3.77	174$\frac{3}{32}$	+$\frac{1}{32}$	176$\frac{3}{32}$	169$\frac{13}{16}$
4⅜pc '04‡‡	(135.6)	3.39	3.78	114⅛	+$\frac{1}{32}$	116$\frac{13}{16}$	112$\frac{13}{16}$
2pc '06	(69.5)	3.49	3.79	181$\frac{13}{16}$	+$\frac{1}{32}$	185$\frac{11}{16}$	176⅞
2½pc '09	(78.8)	3.57	3.83	163$\frac{5}{32}$	+⅛	167¼	159$\frac{13}{16}$
[illegible]							

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar swings between Germany and Japan

By Philip Gawith

The dollar yesterday had a see-saw day on the foreign exchanges, tugged between the conflicting interest rate expectations in Germany and Japan.

The dollar was supported in the European morning by a weaker than expected IFO survey which boosted hopes of a cut in the German repo rate. It was later pulled the other way by rumours in Japan, which supported the yen, that the Bank of Japan was considering raising interest rates. These rumours were later denied by the BOJ.

The dollar finished in London at DM1.5207, from DM1.5148. Against the yen it closed at Y108.135 from Y107.975.

Trading was generally quiet with dealers waiting for the release of the Beige book in the US and the latest M3 figure in Germany to provide fresh trading direction.

The D-Mark was generally weaker on account of the IFO survey. Greater optimism about the Italian lira may also have contributed to the D-Mark's weaker tone. Optimism over the Italian CPI, mini-budget and three year economic plan has helped, as has talk that it might return to the ERM after the Florence EU summit.

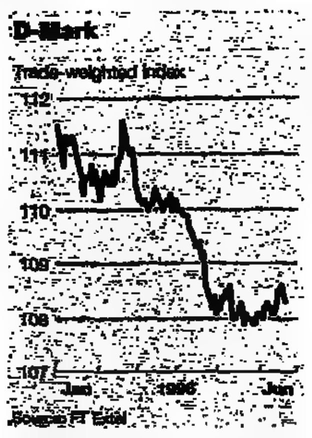
The pound had a better day, finishing at DM2.3476, from DM2.3384. Against the dollar it closed unchanged against the dollar at $1.5438.

■ It was the proverbial game of two halves yesterday, with the morning belonging to Germany, and the afternoon to Japan – at least from the perspective of the dollar.

Mr Tim Fox, currency strategist at Standard Chartered in London, said that the IFO survey, "combined with rumours of a softer M3 number, contributed to the softer D-Mark." Rumours have been circulating that the M3 figure will come in around 9 per cent, which would be consistent with the Bundesbank easing the repo rate further.

The Japan rumour stemmed from a report on the Kyodo news agency that the Bank of Japan was allegedly re-assessing its monetary policy following the first quarter growth figures, the strongest in 23 years. The excitement abated, however, when the BOJ released a statement saying that such discussion was "premature".

Despite this, Mr Fox said he expected the official discount rate in Japan to rise quite soon, perhaps by 50 basis points to 1 per cent. He said it was a question of "reining in an excessively stimulatory environment, rather than moving to a tight one."



Quite often in the past BOJ interest rate changes have been well telegraphed in the press. Yesterday's effort, said Mr Fox, "smacked of a testing of the water."

Not all observers share this analysis. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said: "With capacity utilisation still 9 per cent below its peak in the last cycle and with unemployment at record high levels and with prices still deflating, the BOJ need not be in any rush to hike interest rates. We think the economic case for a rate hike is at least two quarters away, even if growth is zooming as indicated by these GDP figures.

Mr Weinberg said even if rates did rise, he doubted it would make much difference to the dollar/yen rate. "We believe the yen will continue to be managed cheaper for at least another year, or until the Y130 level to the dollar is reached sometime in 1997."

■ One explanation for recent forex moves is a change in investor risk appetite. Mr Avinash Persaud, currency strategist at JP Morgan in London, said the bank's index of investor risk appetite turned negative on June 11 for the first time in three months. This coincided with the dollar sliding to the bottom of its trading range and high-yielding currencies delivering "hesitant, patchy performance."

Yesterday, however, the index returned to positive territory. Mr Persaud said such a speedy change did not necessarily herald a turnaround, but said various fundamental factors did, in the short term, favour the dollar and high-yielders against the D-Mark and yen.

These included, he said, the improved prospect of "low rates for long" in Germany; good inflation news and ERM re-entry talk in Italy would refocus attention on the high-yielders; and the technical position of the market, which suggests there is no significant dollar overhang.

■ Pound in New York

Jun 19	Latest	Prev. close
£ spot	1.5435	1.5440
1 mth	1.5431	1.5435
3 mth	1.5430	1.5433
1 yr	1.5440	1.5437

■ OTHER CURRENCIES

Jun 19	£	$
[illegible]	42.6445 - 42.5723	27.7590 - 27.7640
Hungary	230.446 - 230.672	149.320 - 149.370
[illegible]	[illegible]	[illegible]
Kuwait	0.4624 - 0.4628	0.2996 - 0.2997
Poland	4.1870 - 4.1943	2.7130 - 2.7160
[illegible]	[illegible]	[illegible]
U.A.E.	5.6678 - 5.6719	3.6725 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Jun 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5222	+0.0641	124 - 319	16.5320	16.4314	16.491	2.3	16.416	2.6	-	-	104.8
Belgium	(BFr)	48.3117	+0.1775	713 - 520	48.3670	48.0350	48.2067	2.6	47.9967	[illegible]	46.9967	2.7	[illegible]
Denmark	(DKr)	9.0403	+0.0271	[illegible]	9.0458	8.9971	9.026	1.9	8.997	1.9	8.876	1.8	107.4
Finland	(FM)	7.1633	+0.0102	552 - 714	7.1715	7.1180	[illegible]	0.7	7.1508	0.7	-	-	83.8
France	(FFr)	7.9639	+0.0217	599 - 678	7.9719	7.9233	7.951	1.8	7.9261	1.9	7.8195	1.9	108.9

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.7029	+0.0412	[illegible]	10.7070	10.6400	10.6828	2.2	10.6408	2.3	10.4573	2.3	[illegible]
Belgium	(BFr)	31.2940	+0.114	780 - 100	31.3100	31.1110	31.239	[illegible]	31.124	2.2	30.584	2.3	106.4
Denmark	(DKr)	5.8559	+0.0174	545 - 573	5.8585	5.8260	5.8484	1.5	5.8314	1.7	5.7624	1.6	108.9
Finland	(FM)	4.6401	+0.0065	[illegible]	4.6444	4.6104	4.6336	1.7	4.6216	1.6	4.5761	[illegible]	82.9
France	(FFr)	5.1586	+0.0139	577 - 595	5.1625	5.1310	5.1517	1.6	5.1374	1.6	5.0698	1.7	108.4
[illegible]		[illegible]	+0.0132	510 - 550	4.3600	4.3465	4.401	-15.1	4.491	-12.6	4.6255	-10.9	-
[illegible]		[illegible]	+0.85	100 - 200	799.300	797.500	-	-	-	-	-	-	-
[illegible]		[illegible]	+0.004	380 - 420	27.6470	27.6350	[illegible]	-0.2	27.649	-0.1	-	-	-
[illegible]		[illegible]	+0.009	900 - 100	25.3100	25.2550	25.3987	-4.7	25.5025	-4.8	26.485	-4.7	-

... in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the ... UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 19: Base average 1990=100.

WORLD INTEREST RATES

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.54	95.50	-0.02	95.54	95.50	1453	5857
Dec	95.37	95.34	-0.01	95.39	95.35	199	2809
Mar	95.17	95.12	-0.02	95.17	95.14	186	3010
Jun	94.85	94.80	-0.03	94.85	94.80	127	2507

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

UK INTEREST RATES

BASE LENDING RATES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		467xd	−1½	564	452	4,844	6.3	17.7
Bulmer (HP)		672	—	625	442	302.0	2.7	17.9
Burn St Dist		100	−2	146	100	99.3	6.2	21.6
Glenmorangie A		735xd	—	740	600	108.7	2.0	19.8
Grand Met		423½	+2½	487	374	8,885	4.6	17.7
Guinness		459	+½	539	435	8,864	4.1	15.0
Highland		374	—	405	315	408.9	2.7	17.4
Kirin Y		785¼	+7¼	879¼	621	8,274	0.8	31.2
Macallan-Glen		178	+2	217	150	209.9	1.0	36.5
Matthew Clark		739	—	803	560	681.4	3.5	–
Merrydown		131	—	140	76	14.3	1.9	–
Seagram $		£22¼	+¼	£25¾	£20⅞	8,016	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf		50½	—	50½	50½	6.31	19.8	–
Cater Allen		383	−3	525	382	124.9	9.8	8.3
Close Bros		375	—	392	271½	491.9	3.0	16.6
Gerrard & Nat		373	—	472	356	182.4	8.0	ф
Hambros		227xd	+1	232	180	407.8	4.1	ф
7½pc Cv Pf		109½	—	117	94½	141.1	8.6	–
King & Shaxson		171	—	175	110	45.1	6.8	13.3
Leopold J		420	—	463	353	22.7	5.5	14.7
Rea Brothers		53	+1	67	44	25.6	2.4	25.1
Schroders		1315	−7	1478	1130	1,980	1.5	18.3
N/V		1023	−12	1180	890	450.1	2.0	14.3
Singer & Fried		122	+3	122	90	240.9	4.1	10.1
8½pc Cv Ln 08/14		£144½	+4½	£144½	[illegible]	44.2	5.9	–
Union		81	—	121	71	24.2	4.1	ф
Wintrust		303	—	306	237	26.1	4.8	17.3

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Zurich Investment Management AG

Zurich Europe Ltd NAV Jun 14 | DM107.1

Zweig–DiMenna International Limited

NAV May 31 | $15202

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✓) - 0001 to 1100 hours
(●) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
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p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities)
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
✝ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies
◆ - Yield column shows annualised rates of NAV increase.

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LONDON STOCK EXCHANGE

MARKET REPORT

Disappointing retail sales news restrains shares

By Steve Thompson,
UK Stock Market Editor

There was clear evidence of the hangover effect in London's stock market yesterday, with many dealers preferring to concentrate on the post-match analysis of England's defeat of Holland in the European football championship.

The market received little help from the day's economic news. Expectations of a big increase in high street sales during May, fuelled by the bullish report issued last week by the British Retail Consortium, were demolished by official figures published yesterday. They stated that sales during the month actually fell by 0.1 per cent, against a consensus forecast of a rise of 0.4 per cent.

The economic news was seen by some market observers as strengthening the chancellor of the exchequer's hand, after he insisted on a quarter of a percentage point interest rate cut two weeks ago.

European markets paid scant attention to a good early showing by Wall Street, where the Dow Jones Industrial Average posted a near 40-point gain shortly after the start of trading.

A quiet trading session crawled to a close, with the FT-SE 100 index ending another sport-affected session a net 3.2 off at 3,753.2, bang in the middle of its recent 3,650 to 3,850 range.

The market's second line stocks, represented by the FT-SE Mid 250 index, performed marginally better than the leaders, with that index ending the day 0.4 higher at 4,455.1.

Commenting on the day's events, or rather the day's "non-events", as one of the market's big traders put it: "With all the distractions of football, cricket and racing, we need a big shift in sentiment, which will have to be triggered by either shock economic news or a big political story." Tongue in cheek, he said the odds favoured a UK political scandal as the best bet to produce a market slide.

Turnover in equities just penetrated the 700m-share mark, eventually reaching 703.7m shares at the 6pm count, and was boosted considerably by at least two programme trades, said to have been executed by UBS and BZW.

Activity was divided almost 50/50 between Footsie and non-Footsie stocks. The value of customer business in equities on Tuesday was £1.7bn, well down from Monday's level of £1.9bn.

Equity strategists were not too disheartened by the retail sales news, pointing out that the slowdown could increase the likelihood of further interest rate cuts in the UK. One said that the market needed more than a big bid to get going again; it also needed a substantial shift in either direction.

Telecoms group Cable and Wireless, where trading was given a substantial lift by a Hoare Govett "buy" recommendation issued on Tuesday, made further rapid progress yesterday.

The utilities sectors were again given a boost by the revival of rumours that more takeover developments are imminent. In the financial sector, Lloyds TSB shares were driven ahead by a Cazenove recommendation, while life assurance stocks staged a good rally on hopes that the Sun Life flotation on Monday will get off to a good start.

FT-SE-A All-Share Index

1,920 / 1,900 / 1,880 / 1,860 / 1,840 — Apr May Jun 1996

Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

1,000 / 800 / 600 / 400 / 200 / 0 — Apr May Jun 1996

Indices and ratios

FT-SE 100	3753.2	−3.2
FT-SE Mid 250	4455.1	+0.4
FT-SE-A 350	1897.1	−1.2
FT-SE-A All-Share	1883.36	−1.23
FT-SE-A All-Share yield	3.82	3.82
FT Ordinary index	2768.9	−7.9
FT-SE-A Non Fins p/e	16.87	16.88
FT-SE 100 Fut Jun	3749.0	−2.0
10 yr Gilt yield	8.14	8.14
Long gilt/equity yld ratio:	2.21	2.21

Best performing sectors

1. Leisure & Hotels .... +1.3
2. Electricity .... +0.9
3. Tobacco .... +0.7
4. Extractive Inds .... +0.6
5. Oil Exploration .... +0.6

Worst performing sectors

1. Oil: Integrated .... −0.8
2. Parmaceuticals .... −0.8
3. Diversified Inds .... −0.6
4. Mineral Extraction .... −0.5
5. Textiles & Apparel .... −0.4

Dividend worries at BTR

Shares in leading conglomerate BTR moved deeper into low ground for the year, as a profits downgrade from BZW linked up with growing concern over the durability of the dividend.

"Dividend cover on current earnings forecasts is not too bad, but cashflow cover has always been on the slim side," said one broker yesterday.

The shares, which stood at 325p prior to the group's mid-May profits warning, came off 3 to 256p for a three-day decline of almost 3 per cent.

There was talk that BTR, which hosts a round of City lunches with analysts next week, may put out a further trading statement. Most brokers discounted this as "undisguised rumour", but were unanimous in suggesting that the planned City meetings would, in effect, prove to be a damage limitation exercise.

BZW, joint broker to the company, reduced its profits estimates for this year and next by 3 per cent. Rival houses said that the broker was mostly coming into line with the City consensus.

A further worry for the shares is that they are now below the 258p at which warrant holders can buy into the stock later this year. From this distance, it looks as if BTR is set to forgo some £300m of warrant conversion proceeds.

Leisure and hotels giant Granada Group was the day's best performer in the Footsie as it rose to an all-time high following a strong recommendation from a broker.

The shares jumped 20 to 869p, on volume of 2.6m, after Kleinwort Benson reiterated its buy stance on the stock.

In a positive review on the sector entitled 'A golden age for hospitality', the team at Kleinwort Benson said they see the stock rising to 900p in the short term. Kleinwort also addressed recent concerns about the lack of hotel disposals following Granada's takeover of Forte earlier this year.

It said: "We are not worried about the lack of such sales, as Granada is improving the trading of those businesses."

Dealers also suggested that the share price rise was, in part, due to a shortage of stock early in the session.

Kleinwort Benson is also positive on Ladbroke Group. Shares in the UK gaming and hotels group hardened 2 to 186p amid heavy trade of 8m. The stock was also heavily dealt in the traded options sector, where the equivalent of another 3m were traded.

Rank Organisation was another of the stocks favoured in the review and finished 4 ahead at 526p in trade of 2.8m.

Manchester United leapt 18 to 459p as the market digested Tuesday's news that the Abu Dhabi Investment Authority had acquired a 4 per cent stake in the company.

Kingfisher shrugged off Tuesday's bout of profit-taking and moved ahead 9 to 639p after UBS reiterated its buy stance and upgraded profits expectations.

The securities house raised its current year estimate by £15m to £340m but made a more significant upgrade for the following year, lifting its forecast by £30m to £395m. UBS cited the recovery in DIY sales for its move.

In the rest of the sector, continued profit-taking, together with disappointing retail sales figures published yesterday, prompted a decline in several stocks. Weakness was seen in Boots, 5 lower at 601p, House of Fraser, where the shares came off 3 to 180p, and Body Shop, 2 lighter at 180p.

Telecoms group Cable and Wireless continued to make up for recent lost time, rising 7½ to 427½p in the day's heaviest Footsie volume – 16m shares – to notch up a two-day advance of 4 per cent.

The resurgence in the shares, which stood at 554p in April prior to the collapse of merger talks with BT, follows a strong buy note from ABN Amro Hoare Govett, which upgraded its stance from "undervalued".

BT reversed a recent strong run with a 2½ decline to 372p. There was a vague rumour that the group was planning a biggish foreign deal, possibly in North America. One analyst suggested that BT may be about to increase its stake in US telecoms giant MCI from the current 20 per cent.

Talk that one of the bigger US houses had turned negative on cellular stocks was cited as the main reason for a 3½ setback to 241½p in mobile phones group Vodafone, which ended as the worst Footsie performer.

English China Clays, which recently touched a six-year low of 265p, bounced to the top of the FT-SE Mid 250 rankings with a rise of 7 to 281p. A leading broker was said to have put out a note saying the stock had been oversold.

Johnson Matthey continued to weaken on stock overhang worries. The shares fell 20 on Tuesday, following a move by SBC Warburg to place a large line of stock, and dipped 2 to 628p yesterday in trade of 3.6m.

Tomkins ended 3 lower at 247p, as investors were once again said to be losing patience with the absence of news on Gates Rubber, the group's $1.4bn US takeover.

The talk yesterday was that tax implications for the founding family were holding up full ratification of the deal.

A downbeat trading statement and news that the disposal of the group's interest in Cape will be earnings dilutive left Charter off 34 at 916p.

TT Group dipped 4½ to 350½p in 7m traded, as Johnston Group, in which TT is attempting to take a 27 per cent stake, hit out at the role of TT's merchant bank adviser.

Regent Inns fell 12 to 229p as the stock reacted to fears of greater competition following Greene King's recent acquisition of the Magic Pub Group. The stock was also said to have been the subject of general profit-taking. Greene King improved 7 to 699p.

Food producer Unilever moved forward 10 to 1267p in busy trade of 2.4m, with SBC Warburg said to have shown a keen interest in the stock.

Hazlewood Foods firmed 2 to 104p as the stock responded to a buy recommendation from SGST. The broker believes that "with progress now being made the stock deserves a significant rerating".

Dealers said they expected to see Vaux Group return to the top of the list of bid targets, after it was revealed that Mercury Asset Management had raised its holding in the company from under 3 per cent to 10.41 per cent. Shares in Vaux closed unchanged at 284p, while those in MAM also held steady, at 959p.

In food retailers, Argyll Group was the main feature of the day after Kleinwort Benson reiterated its positive stance on the stock and the sector. Argyll shares appreciated 7 to 353p in trade of 4.5m.

Kleinwort said: "The consumer background is strong and should strengthen throughout the year, and supermarkets have demonstrated through their marketing that they can attract a larger share of consumption." Turning to Argyll in particular, the broker added: "We see (the company) as being at the forefront of technology developments in the industry."

Asda saw heavy volume of 11m as it firmed to 118½p.

MARKET REPORTERS:
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FINANCIAL TIMES EQUITY INDICES

	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13	Yr ago	*High	*Low
Ordinary Share	2768.9	2776.8	2784.5	2782.7	2781.5	2533.0	2885.2	2598.7
Ord. div. yield	4.04	4.03	4.02	4.03	3.99	4.20	4.08	3.76
P/E ratio net	16.33	16.37	16.40	16.38	16.19	15.98	17.25	15.96
P/E ratio nil	16.24	16.28	16.31	16.29	15.96	15.70	17.08	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2771.7	2775.1	2776.0	2774.3	2773.8	2773.9	2771.9	2769.2	2769.8	2777.3	2767.6

	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13	Yr ago
SEAQ bargains	26,770	27,980	30,826	30,812	30,232	21,778
Equity turnover (£m)†	-	1702.8	1903.9	2414.8	1887.8	1341.1
Equity bargains†	-	33,832	34,651	36,465	35,507	31,489
Shares traded (mil)†	-	622.8	640.8	793	739.4	538.8

†Excluding intra-market business and overseas turnover.

	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13	Yr ago	*High	*Low
FT-SE AIM	1108.70	1110.40	1118.80	1121.80	1113.70	-	1140.40	985.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	445	Total Highs	91	Total contracts	37,467
Total Falls	840	Total Lows	34	Calls	15,241
Same	1,840			Puts	22,226

June 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3745.0	3749.0	-2.0	3758.0	3741.0	15138	22744
Sep	3748.0	3750.5	-2.0	3759.0	3742.0	10067	44646
Dec	3775.0	3773.5	-2.5	3775.0	3769.5	134	827

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4455.0	-5.0			0	511
Sep	4491.0	4489.0	-6.0	4491.0	4491.0	55	3665

■ FT-SE 100 INDEX OPTION (LIFFE) (*3753) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Jun	153	1	103	1	53½	2	11½	12½	1	56	1	106	1	156	1	206
Jul	167	9	114½	16	77½	28½	46½	48½	26	77½	11½	115	4	161	1½	211
Aug	169½	24½	132	38½	98½	53	69½	74½	44	102	27½	132½	15½	171	7½	215
Sep	186	39½	148½	51½	118	69½	89	90	65½	116	45½	146	29	180½	18½	221
Dec†	249	74½			177½	110			125½	157½			83½	215½		

Calls 5,577 Puts 6,594

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575		3625		3675		3725		3775		3825		3875		3925	
Jun	176	1	126	1	74	1	28	4½	3	29	1	76	1	126	1	176
Jul	167	135½	12	94½	21	60½	38½	34½	60	18½	92	6½	132	2	177½	
Aug	188	19½	149½	29½	119	43	81	61	54½	84	34	112½	19	147½	9½	187½
Sep			168	44½			161	78			59½	126½			24½	196½
Dec†			227½	83½			167½	120½			116	166			78	223

Calls 808 Puts 3,403 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	72.0	105	98	Aberforth Smlr C	95	-1	-	-	-	-
-	F.P.	4.02	55	43	Biocompatibles W	51	+1	-	-	-	-
90	F.P.	10.1	108	95	†Carisbrooke	100		-	-	-	-
-	F.P.	17,434	[illegible]	[illegible]	Elect Data Sys	[illegible]	[illegible]	-	-	-	-
-	F.P.	58.2	61	36	†Emtech	65		-	-	-	-
116	F.P.	48.5	158	130	European Telecom	[illegible]		-	-	-	-
-	F.P.	48.8	138	128	†Fibernet Group	128	-5	-	-	-	-
100	F.P.	85.0	97	91½	Fidelity Asian V	92½		-	-	-	-
-	F.P.	7.40	37	32	Fidelity Asn Wts	[illegible]					
60	F.P.	3.15	65	53	†Fieldens	[illegible]					
100	F.P.	7.80	116	112	†Hydro-Dynamic P	[illegible]					
-	F.P.	13.8	116	108	†Independent Egy	[illegible]					
-	F.P.	33.8	138	123	Lands Improvemnt	[illegible]					
200	F.P.	44.3	300	[illegible]	[illegible]	[illegible]					
[illegible]											

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

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FT - SE Actuaries Share Indices — The UK Series

	Jun 19	Day's chge%	Jun 18	Jun 17	Jun 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3753.2	-0.1	3756.4	3761.5	3753.6	3378.3	4.05	2.14	14.40	88.58	1596.02
FT-SE Mid 250	4455.1	.....	4454.7	4462.2	4464.8	3859.4	3.39	1.76	21.12	100.34	1792.47
FT-SE Mid 250 ex Inv Trusts	4499.5	.....	4498.0	4505.2	4507.3	3986.5	3.49	1.79	19.99	105.38	1815.23
FT-SE-A 350	1897.1	-0.1	1898.3	1901.1	1898.2	1673.8	3.90	2.07	15.50	44.33	1587.48
FT-SE-A 350 Higher Yield	1820.8	-0.2	1823.6	1827.4	1821.9	1661.4	5.19	1.82	12.52	52.27	1273.66
FT-SE-A 350 Lower Yield	1980.8	.....	1980.4	1982.1	1981.7	1667.1	2.74	2.31	19.76	36.71	1373.68
FT-SE SmallCap	2236.20	-0.1	2238.00	2239.75	2239.97	1652.74	2.92	1.76	24.29	32.70	1835.76
FT-SE SmallCap ex Inv Trusts	2237.84	-0.1	2239.47	2240.82	2240.69	1630.80	3.06	1.85	21.98	34.66	1846.83
FT-SE-A ALL-SHARE	1883.36	-0.1	1884.59	1887.21	1884.58	1653.19	3.82	2.05	15.96	42.67	1600.24

■ FT-SE Actuaries All-Share

	Jun 19	Day's chge%	Jun 18	Jun 17	Jun 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3479.94	-0.6	3499.00	3488.81	3471.31	2838.03	3.85	1.88	17.78	79.04	1499.27
12 Extractive Industries(6)	4397.88	+0.6	4373.40	4340.37	4346.13	3867.57	3.65	2.52	13.61	109.19	1294.17
15 Oil, Integrated(3)	3511.33	-0.8	3539.46	3510.04	3512.77	2840.62	4.08	1.72	17.79	81.84	1551.68
16 Oil Exploration & Prod(15)	2502.87	+0.6	2487.13	2472.40	2470.88	2075.85	2.10	1.58	37.55	33.18	1605.36
20 GEN INDUSTRIALS(276)	2068.31	-0.1	2071.38	2076.28	2070.63	1950.20	4.16	1.90	15.66	41.50	1132.79
21 Building & Construction(34)	1211.48	+0.1	1210.49	1204.70	1196.73	958.70	3.40	1.74	21.16	20.76	1016.15
22 Building Matls & Merchs(28)	1924.41	+0.2	1920.17	1915.11	1912.54	1776.53	3.98	1.72	18.24	42.10	976.32
23 Chemicals(25)	2485.20	-0.4	2495.19	2502.31	2500.15	2404.88	4.01	1.95	15.91	55.67	1183.00
24 Diversified Industrials(19)	1611.93	-0.6	1620.92	1630.52	1633.31	1836.32	6.48	1.70	11.41	54.89	909.18
25 Electronic & Elect Equip(37)	2398.96	+0.1	2397.23	2405.87	2379.17	2001.40	3.09	1.68	24.14	17.23	1239.67
26 Engineering(71)	2468.21	.....	2469.23	2478.39	2469.13	2003.95	3.23	2.46	15.54	31.46	1496.88
27 Engineering, Vehicles(13)	3025.44	+0.1	3023.50	3028.11	3019.27	2311.54	3.52	1.96	18.13	53.22	1570.97
28 Paper, Pckg & Printing(28)	2642.42	-0.2	2648.66	2650.34	2651.70	3003.67	3.86	1.98	16.26	85.87	1106.49
29 Textiles & Apparel(19)	1408.30	-0.4	1414.50	1414.21	1409.62	1626.27	5.02	1.58	16.24	41.39	868.86
30 CONSUMER GOODS(90)	3568.49	-0.2	3576.31	3587.85	3561.86	3238.57	3.93	1.89	16.80	81.12	1325.32
32 Alcoholic Beverages(9)	2734.81	+0.2	2729.41	2738.00	2756.17	2791.45	4.59	1.62	16.90	71.90	992.72
33 Food Producers(23)	2502.38	+0.3	2494.28	2484.24	2484.12	2517.32	4.15	1.97	15.29	65.08	1139.93
34 Household Goods(15)	2657.26	-0.2	2663.65	2663.82	2648.46	2660.97	3.74	2.15	15.53	58.76	1019.42
36 Health Care(20)	2139.15	-0.3	2145.83	2124.36	2121.37	1616.08	2.52	1.94	28.95	33.27	1306.73
37 Pharmaceuticals(12)	5142.64	-0.8	5184.45	5221.24	5148.86	4186.04	3.31	1.87	20.16	91.18	1750.14
38 Tobacco(1)	4362.50	+0.7	4332.86	4366.74	4290.50	4208.19	5.65	2.12	10.12	156.18	1095.83
40 SERVICES(253)	2566.10	+0.1	2564.31	2574.31	2574.18	2048.64	2.81	2.02	22.08	49.48	1342.08
41 Distributors(32)	2944.97	-0.3	2954.31	2951.34	2957.00	2591.86	2.90	1.76	24.50	48.29	1090.61
42 Leisure & Hotels(23)	3290.74	+1.3	3249.26	3253.34	3233.36	2353.22	2.71	1.92	23.97	142.15	1772.37
43 Media(45)	4216.84	-0.2	4225.04	4235.81	4232.25	3083.46	2.16	1.86	30.79	51.26	1528.95
44 Retailers, Food(15)	2058.85	+0.5	2048.08	2062.73	2071.87	2022.30	3.68	2.31	14.69	48.47	1321.13
45 Retailers, General(43)	2129.94	.....	2129.37	2148.81	2157.37	1863.59	2.94	2.16	19.70	45.45	1227.79
47 Breweries, Pubs & Rest.(24)	3258.41	.....	3258.71	3263.89	3259.41	2469.38	3.12	2.14	18.89	49.94	1569.74
48 Support Services(49)	2469.92	.....	2470.87	2469.67	2469.19	1635.83	1.87	2.41	27.77	27.48	1578.32
49 Transport(21)	2384.64	-0.4	2393.22	2395.65	2377.33	2283.26	3.75	1.48	22.68	42.47	996.82
60 UTILITIES(32)	2365.59	+0.1	2362.83	2367.15	2372.76	2425.32	5.56	2.01	11.19	74.17	1015.00
62 Electricity(11)	2553.68	+0.9	2531.55	2550.51	2576.43	2280.19	6.35	2.46	8.01	174.88	1247.07
64 Gas Distribution(2)	1252.65	+0.5	1246.13	1262.50	1291.30	2044.01	9.67	1.36	9.62	66.67	657.02
66 Telecommunications(7)	2037.63	-0.3	2042.86	2035.01	2021.35	2130.99	4.22	1.79	16.49	12.56	926.01
68 Water(12)	2142.49	.....	2143.34	2154.07	2187.64	1931.31	6.15	2.34	8.68	66.78	1196.15
69 NON-FINANCIALS(684)	2009.52	-0.1	2011.49	2015.00	2011.45	1780.01	3.83	1.94	16.87	44.57	1531.94
70 FINANCIALS(108)	2875.06	+0.1	2871.71	2870.86	2869.73	2414.54	4.16	2.65	11.34	77.85	1247.32
71 Banks, Retail(8)	3954.49	+0.3	3943.14	3932.04	3927.84	3250.58	3.94	2.89	10.98	110.04	1302.26
72 Banks, Merchant(6)	3603.27	-0.2	3611.88	3632.09	3638.81	3317.09	2.74	2.37	19.20	46.76	1144.72
73 Insurance(23)	1475.47	-0.2	1478.75	1476.36	1478.61	1302.41	5.36	3.33	7.00	47.91	1118.53
74 Life Assurance(6)	3356.32	-0.3	3365.00	3387.46	3405.37	2713.55	4.45	2.24	12.54	100.72	1406.99
77 Other Financial(21)	2666.06	+0.1	2663.73	2667.71	2667.58	2024.70	3.90	1.74	18.45	57.91	1528.17
79 Property(41)	1527.73	.....	1527.23	1532.54	1531.48	1467.33	4.16	1.29	23.25	33.27	947.09
80 INVESTMENT TRUSTS(125)	3172.19	-0.2	3178.14	3182.00	3188.78	2790.05	2.23	1.09	51.68	39.01	1111.39
89 FT-SE-A ALL-SHARE(894)	1883.36	-0.1	1884.59	1887.21	1884.58	1653.19	3.82	2.05	15.96	42.67	1600.24
FT-SE-A Fledgling	1275.69	-0.1	1276.27	1276.10	1275.72	1011.34	2.69	2.19	21.21	15.82	1335.40
FT-SE-A Fledgling ex Inv Trusts	1291.95	.....	1292.54	1292.42	1291.86	1004.24	2.88	2.37	18.32	17.05	1352.82

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3748.7	3752.8	3756.4	3753.7	3754.3	3755.4	3752.1	3748.7	3753.0	3756.7	3747.7
FT-SE Mid 250	4453.9	4454.6	4456.3	4456.6	4455.2	4453.9	4453.6	4452.5	4455.0	4456.4	4452.3
FT-SE-A 350	1885.3	1898.9	1898.5	1897.4	1897.6	1897.9	1896.6	1895.1	1897.1	1898.6	1894.7

Time of FT-SE 100 Day's high: 9:53 AM Day's low: 2:54 PM. FT-SE 100 1996 High: 3857.1 (18/04/96) Low: 3654.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1194.2	1194.3	1194.3	1193.9	1194.6	1194.8	1194.8	1195.3	1195.3	1195.3	1193.4	+1.9
Pharmaceutcls	5097.2	5086.1	5103.5	5101.8	5090.4	5090.8	5090.2	5086.0	5085.7	5072.9	5114.5	-41.6
Water	2131.2	2131.5	2133.6	2133.8	2135.5	2135.5	2133.8	2130.2	2128.6	2129.2	2130.1	-0.9
Banks, Retail	3988.3	3990.2	3996.0	3997.2	3988.6	3987.4	3983.6	3986.6	4003.6	4005.0	3993.5	+11.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	2,000	451	
ASDA Group†	11,300	118½	+½
Abbey National†	1,500	580	+3
Albert Fisher	2,000	47	
Allied Domecq†	1,200	467	-1½
Anglian Water	255	577	+1
Argos†	547	701	[illegible]
Argyll Group†	4,500	353	+7
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent. All trades are shown based on FT Extel.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 19 / Sch)

BELGIUM/LUXEMBOURG (Jun 19 / Frs.)

CZECH REP (Jun 19 / Koruna)

DENMARK (Jun 19 / Kr)

FINLAND (Jun 19 / Mkk)

FRANCE (Jun 19 / Frs.)

GERMANY (Jun 19 / Dm.)

GREECE (Jun 19 / Drachma)

ITALY (Jun 19 / Lira)

NETHERLANDS (Jun 19 / Fls.)

NORWAY (Jun 19 / Kroner)

POLAND (Jun 19 / Zloty)

PORTUGAL (Jun 19 / Escudo)

SPAIN (Jun 19 / Pta.)

SWEDEN (Jun 19 / Kronor)

SWITZERLAND (Jun 19 / Frs.)

TURKEY (Jun 19 / Tk Lira)

PACIFIC

JAPAN (Jun 19 / Yen)

HONG KONG (Jun 19 / H.K.$)

INDONESIA (Jun 19 / Rupiah)

MALAYSIA (Jun 19 / MYR)

NEW ZEALAND (Jun 19 / NZ $)

SINGAPORE (Jun 19 / S$)

AUSTRALIA (Jun 19 / Aust$)

SOUTH KOREA (Jun 19 / Won)

TAIWAN (Jun 19 / TW $)

THAILAND (Jun 19 / Baht)

AFRICA

SOUTH AFRICA (Jun 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 19 / Can $)
4 pm close

MONTREAL (Jun 19 / Can $)
4 pm close

INDICES

	Jun 19	Jun 18	Jun 17	1996 High	1996 Low
Argentina General(29/12/77)	(u) 17871.02		(c) 11.85 20/5		15869.84 19/3
Australia All Ordinaries(1/1/80)	2233.2	2228.3	2207.5	2339.80 28/4	2167.40 11/3
All Mining(1/1/80)	1032.1	1026.4	1015.2	1118.40 8/5	1004.70 16/1
Austria Credit Aktien(30/12/84)	382.87	380.21	380.10	384.99 31/5	352.78 2/1
Traded Index(2/1/91)	1111.05	1104.36	1104.04	1162.51 28/5	975.27 2/1
Belgium BEL20(1/1/91)	1747.99	1780.81	1763.10	1773.58 29/5	1574.80 2/1
Brazil Bovespa(29/12/83)	(u)	58346.0	58049.0	59466.00 18/6	43901.08 2/1
Canada Metals Minls(1975)	(u)	5169.64	5108.31	5324.80 8/5	4687.47 10/1
Composite(1975)	(u)	5060.65	5043.39	5239.90 22/5	4739.70 15/1
Portfolio(4/1/83)	(u)	2485.42	2465.27	2565.55 27/5	2327.39 12/1
Chile IGPA Gen(31/12/80)	(u)	5494.78	5467.33	5804.33 8/1	5215.28 8/4
Denmark CopenhagenSE(3/1/83)	403.54	402.16	402.5	407.07 28/5	368.40 2/1
Finland HEX General(28/12/90)	2007.55	2012.90	2010.38	2070.42 31/5	1851.67 10/1
France SBF 250(31/12/90)	1436.33	1440.16	1443.1	1457.56 6/6	1258.36 2/1
CAC 40(31/12/87)	2100.70	2107.94	2113.2	2146.79 30/4	1897.85 11/1
Germany FAZ Aktien(31/12/58)	900.13	899.62	898.	904.93 23/5	818.56 2/1
Commerzbank(1/12/53)	2594.80	2592.70	2591	2608.78 13/6	2370.20 2/1
DAX(30/12/87)	2554.29	2549.29†	2546	2570.78 21/5	2284.86 2/1
Greece Athens SE(31/12/80)	917.97	911.90	911	1017.86 4/3	801.83 29/4
Hong Kong Hang Seng(31/7/64)	10904.47	10952.78		11594.99 16/2	10204.87 2/1
India BSE Sens.(1979)	3990.04	4069.26	406	4069.26 18/6	2826.08 25/1
Indonesia Jakarta Comp.(10/8/82)	583.17	588.23	59	630.21 24/4	512.48 2/1
Ireland ISEQ Overall(4/1/88)	2583.18	2595.19†	25	2595.19 18/6	2294.61 2/1
Italy Banca Comm Ital(1972)	671.68	665.12	6	674.10 20/5	572.21 23/3
MIB General(1/1/93)	1138.0	1127.0	10	1142.00 20/5	970.80 27/3
Japan Nikkei 225(16/5/49)	22367.36	22332.40	22	22367.36 19/6	19734.70 13/3
Nikkei 300(1/10/82)	315.02	314.76	31	318.08 26/4	284.48 11/3
Japan Topix(4/1/68)	1698.63	1698.16	1692.21	1718.00 28/4	1524.12 13/3
2nd Section(4/1/68)	2217.78	2220.17	2220.34	2243.28 2/5	1982.78 14/3
Malaysia KLSE Comp.(4/4/86)	1130.27	1124.86	1124.81	1169.64 30/4	983.10 2/1
Mexico IPC(Nov 1978)	(u)	3202.15	3180.86	3382.88 22/5	2736.36 8/3
Netherland CBS TtlRtnGen(End 83)	639.2	645.2	641.7	652.60 12/6	539.50 2/1
CBS All Shr(End 83)	379.1	382.7	380.5	387.10 12/6	326.70 2/1
New Zealand Cap. 40(1/7/86)	2086.81	2080.82	2072.17	2203.08 4/1	2030.14 7/6
Norway Oslo SE(Ind)(2/1/83)	1462.17	1466.84	1467.16	1466.71 12/6	1259.66 30/1
Philippines Manila Comp(2/1/85)	3186.63	3170.08	3170.86	3396.70 10/6	2576.67 2/1
Portugal BVL 30(4/1/93)	1923.87	1914.83	1914.04	1923.87 19/6	1602.81 2/1
Singapore SES All-S'pore(2/4/75)	581.66	579.84	579.25	610.37 5/2	553.89 2/1
South Africa JSE Gold(28/9/78)	1832.2	1777.9	(c)	2090.49 29/5	1346.40 2/1
JSE Indl.(28/9/78)	8143.6	8147.2	(c)	[illegible]	7723.20 20/5
South Korea KoreaCompEx(4/1/80)	859.58	862.31	856.43	986.84 7/5	838.87 13/3
Spain Madrid SE(30/12/85)	371.09	371.92	370.67	372.37 12/6	323.76 11/1
Sweden AffarsvardnGen(1/2/37)	1976.5	1975.9	1973.0	2019.00 6/6	1706.60 22/1
Switzerland Swiss Bk Ind(31/12/58)	1752.00	1743.63	1730.21	1779.54 28/4	1515.19 17/1
SBC General(1/4/87)	1240.47	1236.21	1228.61	1259.89 26/4	1114.47 26/1
Taiwan Weighted Pr.(30/6/66)	6380.07	6323.78	6423.11	6423.11 17/6	4690.22 8/2
Thailand Bangkok SET(30/4/75)	1253.51	1259.37	1253.49	1416.84 6/2	1243.77 12/6
Turkey Istanbul Cmp.(Jan 1986)	67884.0	67723.5	67543.5	72066.80 8/4	39779.39 2/1
WORLD MS Capital InS(1/1/70)	776.6	776.2	775.3	789.30 22/5	[illegible] 10/1
CROSS-BORDER Eurotrack 100(26/10/90)	1686.41	1685.57	1681.80	1699.17 28/5	1504.49 11/1
Euro Top-100(26/6/90)	1442.22	1445.62	1440.82	1458.28 28/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	372.81	371.57	383.38 16/4	344.19 2/1
ING Brngs Emrg(7/1/92)	162.32	161.48	160.92	164.14 14/5	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jun	2100.0	2096.0	-8.	2109.0	2092.0	8,813	44,664
Jul	2099.5	2095.0	-3	2104.0	2093.0	668	19,351
DAX							
Jun	2556.0	2545.5	-11	2558.0	2538.0	22,216	-
Sep	2576.0	2565.0	-9.	2576.5	2557.5	14,191	
OMX							
Jun	1535.00	1535.00	-7.50	1545.00	1530.00	4,563	15,358
Jul	1540.00	1547.00	+0.25	1550.75	1536.75	1,710	2,965
SOFFEX							
Jun	3627.0	3633.0	+9.00	3643.5	3622.0	5,921	11,880
Jul	3639.0	3634.4	+4.80	3640.0	3620.0	2,408	24,330

Sat Jun 15: Taiwan Weighted Price 6412 Korea Comp Ex 859.49. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX, MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 1; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index. Jun 19 - 2548.04 -8.77.

US INDICES

Dow Jones	Jun 18	Jun 17	Jun 14	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5628.03	5652.78	5649.45	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.36	101.23	101.27	106.99 (14/2)	101.19 (8/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2214.87	2180.90	2203.45	2258.28 (22/5)	1882.71 (18/1)	2258.20 (22/5/96)	12.32 (8/7/32)
Utilities	207.03	207.35	207.45	234.00 (12/2)	203.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5663.44 (5669.72) Low 5607.71 (5614.56) (Theoretical♦) Day's high 5663.49 (5677.53) Low 5623.23 (5637.27) (Actual♦)

Standard and Poors	Jun 18	Jun 17	Jun 14	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	662.06	665.16	665.85	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	788.89	793.64	794.38	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	65.67	65.85	66.94	69.58 (5/3)	58.87 (10/1)	69.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	355.58	358.82	357.20	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	588.99	590.53	593.65	614.98 (22/5)	528.05 (18/1)	614.98 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1183.08	1207.84	1213.18	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jun 14	Jun 7	May 31	Year ago
Dow Jones Ind. Div. Yield	2.19	2.16	2.18	2.46
	Jun 12	Jun 5	May 29	Year ago
S & P Ind. Div. yield	1.87	1.83	1.88	2.20
S & P Ind. P/E ratio	19.85	22.74	22.38	17.65

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Bay Network	6,423,800	25¼	-⅞
Micron Tech	5,879,800	27⅝	-2⅝
K-Mart	5,153,300	13¾	-¼
Glech Hldgs	3,459,500	28¼	-⅛
Cdn Pacific	3,379,200	22⅝	+⅜
Wal-Mart	3,152,300	25¼	-¼
Seagate Tech	2,939,800	45⅝	-¼
Asia Satellite	2,773,900	33½	—
Coca Cola	2,470,800	46¼	+⅛
Bally Enter	2,130,200	29¾	+½

TRADING ACTIVITY

Volume (million)	Jun 18	Jun 17	Jun 14
New York SE	389.587	298.700	385.816
Amex	25.560	17.445	18.122
NASDAQ	635.082	461.630	523.766
NYSE			
Issues Traded	3,166	3,130	3,110
Rises	1,097	1,090	1,006
Falls	1,253	1,202	1,315
Unchanged	816	838	789
New Highs	58	57	58
New Lows	44	36	[illegible]

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	662.40	662.20	+0.50	662.70	661.40	19,406	80,796
Sep	667.30	668.10	+0.60	668.95	667.10	60,994	140,978
Nikkei 225							
Jun	22320.0	22380.0	-90.0	22590.0	22320.0	32,835	208,091
Sep	22530.0	22560.0	+110.0	22560.0	22530.0	210	4,113

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, June 19, 1996

	Stocks Traded	Closing Prices	Change on day
Kanematsu Corp	18.2m	826	+41
Clarion	17.3m	647	+24
Keisei Elect Ry	13.0m	1230	[illegible]
Nippon Steel Cp	9.9m	365	+5
Fuji Hvy Inds	8.5m	547	+1
Nippon Denko	7.4m	540	+20
NKK Corp	6.7m	319	-1
Seibu Gas	6.6m	411	+31
Hokkaido Taku Bk	5.8m	312	+32
Kobe Steel	5.0m	305	+1

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

4 pm close June 19

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close June 19

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
28⅞	22¾	SchwMaud			14	1055	28½	28⅛	28½	+⅜
20⅝	13⅛	SciAtl	0.06	0.4	39	5424	15⅝	14⅞	15¼	-⅜
21	17	Scotman	0.10	0.5	12	31	20⅜	20⅛	20¼	-¼
46¾	38⅛	Scripps	0.52	1.2	26	92	44⅞	44¾	44⅞	-⅛
18⅛	14½	ScuddrNAsF	0.02	0.1		503	14⅝	d14½	14⅝	
12½	11	ScuddrNEuF	0.16	1.3		190	12⅜	12⅜	12⅜	
20½	16	SeaCnB	0.70	3.5	2	47	20	19⅞	20	
16	15	SeaC7.4625	1.46	9.7		8	15¼	15⅛	15⅛	
67¾	44¾	S'gate			17	13481	48¾	45¾	48⅜	+⅝
39⅞	31¾	Seagrm x	0.60	1.8	23	3485	34¼	33⅝	33⅞	-⅛
24⅝	17⅞	Seagull En			16	2028	24	23¾	23⅞	
38⅛	36	Sealed Air			25	190	35⅛	34½	34½	-⅝
53⅞	38¾	SearsR	0.92	1.8	14	7178	50⅛	49⅝	49⅞	-¼
22⅞	19¼	SecCapGBl	1.24	5.6	22	619	22¼	22	22	-¼
13	11⅞	Seligm Sel x	0.84	6.7		43	12⅝	12½	12½	-⅛
23¾	13⅜	Sensormat	0.22	1.3	15	6040	17½	16⅝	17½	+⅞
43	29½	SequaA	0.60	1.4	112	13	42⅝	42½	42⅝	
49	39	SequaB	0.50	1.0	128	65	u49	47	48¾	
60¼	38⅞	SerVCp	0.48	0.8	30	3749	59	57⅝	58¾	+1
34¼	28⅛	SvMstr	1.02	3.0	15	381	u34¼	33⅞	33¾	
6¼	4½	SevMerch			11	3870	5⅞	5⅝	5⅞	+⅛
48¼	28½	SGSThm			8	4462	36⅝	35¾	36	-½
15⅞	10⅝	Shaw Ind	0.30	2.3	40	1499	13½	13⅛	13¼	-¼
12⅞	10⅝	Shelby Wll	0.28	2.5	13	14	11⅜	11¼	11¼	-¼
88⅛	76⅝	ShellTr	3.26	3.7	17	204	87¾	87	87	-¾
47	39	SherW	0.70	1.6	19	1281	44⅞	44⅝	44¾	+⅜
13⅜	7⅞	Shoneys			13	1335	11¾	11⅜	11½	-⅜
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

4 pm close June 19

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX PRICES

4 pm close June 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Dow rebounds as tech stocks regain ground

Wall Street

US share prices rebounded from Tuesday's weakness in midday trading as technology shares regained their footing, *writes Lisa Bransten in New York.*

By early afternoon, the Dow Jones Industrial Average was up 33.98 at 5,662.01, the Standard & Poor's 500 had risen 2.31 to 664.37 and the American Stock Exchange composite was 0.85 firmer at 589.84. NYSE volume came to 228m shares.

Equities paid little heed to volatility on the bond market, where traders reacted to speculation that the Bank of Japan might raise interest rates in the wake of Tuesday's strong figures on gross domestic product growth.

Technology shares stabilised after five sessions of losses as some of the hardest hit issues posted small gains in early trading. The Nasdaq composite, which is about 40 per cent comprised of technology issues, added 4.68 at 1,187.71. In the five sessions to Tuesday the index had lost about 4 per cent of its value amid nervousness about earnings at several technology companies.

Some of the hardest hit shares managed to post modest gains. Iomega, which makes computer disk drives, added $4½ at $31¼ to reverse part of the $10¼ or 28 per cent it shed on Tuesday; America Online, the online service provider, which had fallen $14⅛ so far this month, rallied $1 to $43; and Intel, the semiconductor maker, improved $1¼ to $71⅝, regaining some of the $6⅝ it had lost since last Wednesday.

IBM also rose in the wake of recent weakness. Shares in Big Blue were $¾ stronger at $102¼. Other rising issues on the Dow included Minnesota Mining & Manufacturing, up $1¼ at $68⅞, Procter & Gamble, $1⅝ stronger at $89⅝, Goodyear Tire & Rubber, which firmed $1 to $48⅝, and Boeing, $1½ dearer at $84⅛.

ValuJet, the beleaguered airline which shut down its operations on Monday under pressure from the Federal Aviation Administration, recovered $1 of the $3¼ it fell on Tuesday, bringing the share price to $7½.

H & R Block slipped $¼ to $33¾ after reporting weaker earnings than analysts had expected.

Canada

Toronto was propelled higher by rising gold issues in midsession trade. Investors were said to be reshuffling portfolios with an eye on Friday's triple witching in Toronto and New York.

The TSE 300 composite index was 16.65 higher by noon at 5,077.30 in volume of 45.6m shares. The gold and precious metals sector rose 105.43 to 11,657.40.

Active golds included the heavyweight Barrick Gold, which gained C$0.30 to C$38.95 in high turnover.

SOUTH AFRICA

Better than expected first-half sales figures drove De Beers R3.75, or 2.6 per cent, ahead to R141 in Johannesburg. Elsewhere, gold shares were 3.1 per cent higher in active trade, as bullion held above $386 an ounce, but industrials were flat, torn between a strong futures close on Tuesday and a softer Wall Street overnight.

The overall index rose 40.6 to 6,863.5, industrials eased 3.6 to 8,143.6 and golds jumped 54.3 to 1,832.2.

Two companies put in robust performances as they made their trading debuts. Educor climbed to R3 before settling at R2.78, comfortably above the indicated price of R2.40. Chillers, the food sales and distribution group, ended at R1.20, a 20 per cent premium to the offer price.

EUROPE

Senior bourses shiver in mid-afternoon

A number of senior bourses shivered in mid-afternoon, apparently on worries about interest rates. **FRANKFURT** was pulled both ways.

The Dax index bottomed at an Ibis-indicated 2,539.45 on fears of a Japanese rate rise after Tuesday's strong GDP data; but it closed with a more moderate decline, 9.77 lower at 2,546.04. Professionals said M3 data, due imminently, could show lower than expected money supply growth.

Meanwhile, turnover rose DM3.1bn, or 40 per cent, to DM10.7bn, although anecdotal evidence had suggested a lazy day. Mr Detlev Klug, head of equities trading at B Metzler, said that professionals had been anticipating tomorrow's "triple witching" expiry of DTB futures and options contracts.

In retailing, the quoted components of the Metro merger chalked up hefty gains, Asko jumping DM83, or 7.5 per cent, to DM1,185 and Karstadt DM25.10, or 4.4 per cent, to DM602.

Mr Klug observed that Karstadt, Germany's biggest department store group, had always rated a premium on quality grounds; at the end of March it was priced at DM555.50, against Kaufhof's DM476.90. There were dissident Kaufhof shareholder groups, which wanted better merger terms than those currently on the table; they would need to have some success, he said, to justify the present share price.

PARIS, in its pragmatic way, bounced Moulinex up by 21 per cent, although the French industry minister Mr Franck Borotra told parliament that the kitchen appliance group's restructuring plans, involving the loss of 2,600 jobs, were unacceptable to the government in their present form.

The CAC-40 index fell in line with the bond market, off 7.24 at 2,100.70 in turnover of FFr4.29bn. Moulinex closed FFr17.20 better at the day's high of FFr98.20, well after Mr Borotra's remarks.

Other consumption stocks figuring among the day's winners included Bic, the penmaker, up FFr24 at FFr745 on strong US demand and short-covering; Canal Plus, FFr44 higher at FFr1,260 after CS First Boston started coverage with a buy recommendation; and Skis Rossignol, FFr39 to the good at FFr1,943 on a 19 per cent rise in 1995-96 profits, and a cautiously optimistic outlook for the current year.

ZURICH witnessed a turbulent day's trade in Brown Boveri after reports that Malaysia's high court had ruled against a $5bn hydro-electric project, due to non-compliance with environmental regulations. Shares in Brown Boveri, leading the consortium which was to build the dam, recovered from a low of SFr1,529 to finish SFr10 higher on balance at SFr1,550, as the company insisted that it expected no delay in the project.

The broad market was also higher on derivatives linked trade ahead of Friday's Soffex futures and options expiry. The SMI index finished 15.3 ahead at 3,643.6, but in very thin volume.

The Novartis partners remained in favour, with Ciba registered up SFr30 to SFr1,478 and Sandoz registered adding SFr20 at SFr1,380.

STOCKHOLM featured an 11 per cent surge in Hennes & Maurice as the clothes retailer announced much stronger than expected pre-tax profits for the six months to May 31. The shares rose SKr57 to SKr572 in hefty turnover of SKr198m.

The Affärsvärlden General index edged just 0.6 higher to 1,976.5, weighed upon by downbeat performances from Astra and Ericsson.

Astra eased SKr3 to SKr286, while Ericsson lost SKr0.5 to SKr150.5, pressured by the performance of high-technology stocks on Wall Street. Asea finished SKr4 weaker at SKr505.

MILAN turned back from the day's best levels as the market awaited inflation figures from three cities, seen as crucial to the timing of a cut in interest rates. The Comit index registered a rise of 6.54 to 671.66, while the Mibtel index finished 5 lighter at 10,669, off a high of 10,737.

After the market closed, data from Milan, Palermo and Trieste suggested that June inflation fell to 3.9 per cent, below the 4 per cent level that the Bank of Italy has hinted would trigger a rate cut. Another seven cities are to publish their inflation data today and tomorrow.

Alitalia, the loss-making state airline with 13.2 per cent of its shares floated on the stock exchange, forged ahead L63 to L720 as it announced an historic breakthrough with unions on its plan to restructure the company.

AMSTERDAM saw profits taken, the AEX index closing 5.85 lower at 558.10.

Volume was said to be low, but the pressure was most noticeable in heavily weighted stocks: Philips slipped Fl 1.10 to Fl 57.10, PTT by Fl 1.30 to Fl 64.90 after recent buying interest, and ABN-Amro by Fl 1.30 to Fl 90.60 in a mixed to lower financial sector, after a good day on Tuesday.

MADRID offered a less positive version of Tuesday's story, banks gaining a little but electrical utilities slipping by more. The general index eased 0.83 to 371.09 in turnover of Pta49.6bn, relatively high as switching continued between the two sectors.

Outside the mainstream, the metals company Acerinox forecast good but lower results, and announced an effective Pta100 a share return of capital to shareholders. The shares rose Pta140 to Pta13,500.

MOSCOW fell from Tuesday's peaks as speculative fever cooled and after President Yeltsin's new security chief, General Alexander Lebed, talked of plots and political pressure.

The key indices fell by between 0.6 and 6.35 per cent, the Moscow Times index coming out 17.40 lower at 256.67.

FT-SE Actuaries Share Indices

Jun 19								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1686.58	1686.29	1685.56	1686.02	1686.47	1687.52	1686.88	1686.41
FT-SE Eurotrack 200	1726.04	1725.05	1724.72	1725.18	1725.75	1727.29	1725.62	1726.18
	Jun 18	Jun 17	Jun 14	Jun 13	Jun 12			
FT-SE Eurotrack 100	1685.57	1681.90	1682.14	1691.65	1694.47			
FT-SE Eurotrack 200	1725.81	1724.19	1722.32	1731.23	1733.66			

Base value 1000 (26/10/90) High/day: 100 - 1688.02; 200 - 1727.92 Low/day: 100 - 1685.21 200 - 1724.40. † Partial

Written and edited by William Cochrane and Michael Morgan

Mexico City overcomes weakness

Mexico City overcame mid-morning weakness as investors refocused on a spate of positive news to push prices up, and the IPC index edged 4.68 higher to 3,206.83.

Analysts attributed the initial decline to a lack of interest from foreign investors, thought to be awaiting second-quarter earnings results in coming weeks. This was subsequently outweighed by a reassessment of Tuesday's primary *Cetes* auction, when rates dropped further, and the announcement of a $3bn floating rate note to help pay off the emergency 1995 loans from the US.

SAO PAULO edged down in midsession trade, surprising some analysts who had expected a more positive response to reports that the government might create a privatisation ministry to speed up the sell-off of state owned assets.

The Bovespa index had slipped 180.49 by noon to 58,166, with investors also unmoved by news that the government would make available $1bn in credits to exporters over the next 12 months.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: June 14 1996	% Change over week	% Change on Dec '95	Local currency terms: June 14 1996	% Change over week	% Change on Dec '95
Latin America	(248)	520.84	+0.3	+10.4			
Argentina	(31)	886.32	-2.1	+10.7	543,073.48	-2.1	+10.5
Brazil	(68)	345.63	+1.7	+13.2	1,294.58	+1.9	+16.6
Chile	(43)	731.60	+4.5	-2.3	1,198.92	+4.0	-1.7
Colombia[1]	(15)	609.35	+0.8	+1.9	1,156.66	+0.5	+10.2
Mexico	(65)	527.98	-3.1	+16.5	1,729.13	-2.1	+14.8
Peru[2]	(21)	210.09	+0.7	+6.5	313.59	+1.0	+12.9
Venezuela[3]	(5)	611.44	+0.8	+53.0	8,548.40	+0.8	+112.5
Asia	(632)	262.49	-0.9	+13.1			
China[4]	(24)	59.28	+1.9	+9.6	62.27	+1.9	+9.6
South Korea[5]	(146)	112.82	-5.6	-10.4	118.08	-4.8	-8.0
Philippines	(35)	310.80	-3.8	+19.7	393.17	-3.8	+19.5
Taiwan, China[6]	(83)	145.19	+5.8	+28.7	150.49	+5.4	+30.2
India[7]	(76)	109.39	+4.6	+36.1	135.59	+5.1	+35.1
Indonesia[8]	(44)	120.44	-3.4	+8.8	152.19	-3.8	+11.7
Malaysia	(123)	313.30	-0.7	+15.5	288.58	-0.8	+13.5
Pakistan[9]	(25)	287.51	-4.3	+18.5	468.09	-4.1	+21.5
Sri Lanka[10]	(5)	104.65	-3.2	+0.6	126.72	-2.9	+4.8
Thailand	(72)	355.33	-2.8	-5.6	357.39	-2.9	-4.9
Euro/Mid East	(236)	142.42	+0.6	+0.6			
Czech Rep	(5)	72.48	+0.7	+20.8	67.43	+0.8	+28.7
Greece	(47)	243.94	-0.8	+1.0	389.50	-1.0	+3.2
Hungary[11]	(8)	170.01	+4.4	+72.7	306.30	+4.2	+89.3
Jordan	(8)	170.68	-0.2	-7.6	254.77	-0.2	-7.6
Poland[12]	(22)	672.87	-0.0	+57.8	1,158.12	+1.0	+74.8
Portugal	(26)	127.95	+2.6	+10.5	138.07	+1.7	+16.2
South Africa[13]	(63)	235.73	+0.2	-8.6	211.94	+0.0	+9.1
Turkey[14]	(54)	143.82	+1.9	+37.6	5,404.68	+3.2	+80.8
Zimbabwe[15]	(5)	380.50	+0.2	+38.5	562.92	+0.5	+46.6
Composite	(1118)	300.45	-0.2	+8.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Mr Benjamin Netanyahu spent his first full day as Israel's prime minister yesterday, having given the market the finance minister that it wanted. However, the appointment of Mr Dan Meridor to the portfolio failed to provide a spur to the recently volatile Mishtanim index, which closed 1.2 per cent down at 203.57. Mr Meridor, a former justice minister and acting finance minister for four months in 1990, is a lawyer and key Likud insider.

His economic philosophy is described as liberal, serious and non-interventionist. Mr Meridor marked his appointment with a pledge yesterday that measures would be taken soon to deal with this year's budget and current account deficits. However, he said that the measures to deal with the budget deficit would not include tax rises.

Analysts attributed yesterday's downbeat performance by equities to the overnight fall on Wall Street, noting that many Israeli high-technology shares were traded on the Nasdaq, which declined 2 per cent. They added that trading volume in Tel Aviv was low, indicating that little fresh money was flowing into the market. One analyst said that for the equity market to soar, the new government would have to show that it was serious about changing the economy. That meant not just cutting the budget but speeding up privatisation and further economic liberalisation.

ASIA PACIFIC

Fear of crackdown hits Shenzhen B shares

The steam rising from **SHENZHEN** B shares in the past few days was dispersed by fears that regulators would crack down on the waves of mainland investors flooding into what was officially a foreigners-only market.

The B share index dived 15.60, or 15.4 per cent, to 85.86, while turnover contracted to HK$260m from the HK$526m recorded on Tuesday.

Analysts said selling focused on low-priced issues. Shenzhen Properties was the worst performer, dropping HK$1.05, or 27 per cent, to HK$2.83.

Shenzhen securities regulators said in interviews earlier this week that a conflict had emerged over whether to stop Chinese citizens from buying class B equities.

SHANGHAI Bs suffered a technical correction, the index closing 1.078, or 2 per cent, off at 52.710 in $10.5m turnover.

Tokyo

Worries that interest rates would rise initially depressed share prices but the Nikkei average finally closed marginally higher, *writes Emiko Terazono in Tokyo.*

The 225-share index gained 34.96 at 22,367.36, having moved between 22,224.78 and 22,504.12. Tuesday's stronger than expected GDP figures triggered interest rate fears, and yen buying, but sentiment gradually turned bullish as investors focused on future economic growth.

Volume totalled 513m shares, against 374m. The Topix index of all first section stocks was up 0.47 at 1,698.63 and the Nikkei 300 ended 0.24 firmer at 315.02. But declines outnumbered advances by 581 to 453, with 193 issues unchanged.

In London the ISE/Nikkei 50 index put on 1.27 at 1,504.80.

Institutional investors, including pension fund managers, placed large-lot buying orders across the board. Foreign investors focused on international blue chips, including high-technology shares and large-capital steels.

Hopes of steady economic growth helped Nippon Steel, which rose Y5 to Y365.

Retailers gained ground ahead of the summer gift giving season. Takashimaya rose Y20 to Y1,640 and Isetan added Y40 at Y1,630. Airlines, seen as laggards, were bought actively and rose by 2.3 per cent, the largest sector gain of the day. Japan Airlines put on Y17 at Y901 and All Nippon Airways Y30 at Y1,190.

Sumitomo, which suffered a $1.8bn loss from illicit copper trading, receded just Y20 more, to Y1,010.

In Osaka, the OSE average moved up 21.57 to 23,587.20 in volume of 30.9m shares.

Roundup

International buying of Pakistan Telecom global depositary receipts lifted **KARACHI**, with the KSE 100-share index climbing 25.77, or 1.5 per cent, to 1,698.60.

PCTL vouchers rose PRs1.50 to PRs41.10. A dealer said that foreign buying, which had stopped ahead of the Pakistan budget, had resumed.

SINGAPORE was selectively better, with a few active stocks taking the Straits Times Industrial index ahead 24.33 to 2,291.93, the day's best level.

Keppel gained S$0.50 at S$12.00. Cycle and Carriage S$0.80 at S$14.60 and Cerebos S$0.30 at S$12.80, but volume was thin at 77.7m shares.

TAIPEI rose on market rumours that the Chinese leader Jiang Zemin might visit Taiwan. The weighted index finished 56.31 higher at 6,390.07 in turnover of T$48.8bn.

The former mainland China official, Huang Wenfang, hinted on Tuesday that China would use the Communist party's July 1 birthday to answer Taiwan's call for a "journey of peace" to the mainland by the estranged island's president, Lee Teng-hui.

MANILA and **SEOUL** saw technical rebounds, their composite indices rising by 16.75 to 3,186.83 and 7.35 to 869.56 respectively. In the Philippines, domestic investors nibbled selectively following the market's recent decline. In South Korea, labour disputes hit carmakers in early trading but the impact, eventually, was limited. Investors hoped that government mediation would be initiated, and put a speedy end to the problem.

BOMBAY saw a correction after recent sharp gains, the BSE-30 losing 91.37, or 2.25 per cent, at 3,977.89. An absence of foreign institutional demand, and the unwinding of long positions, dragged prices down.

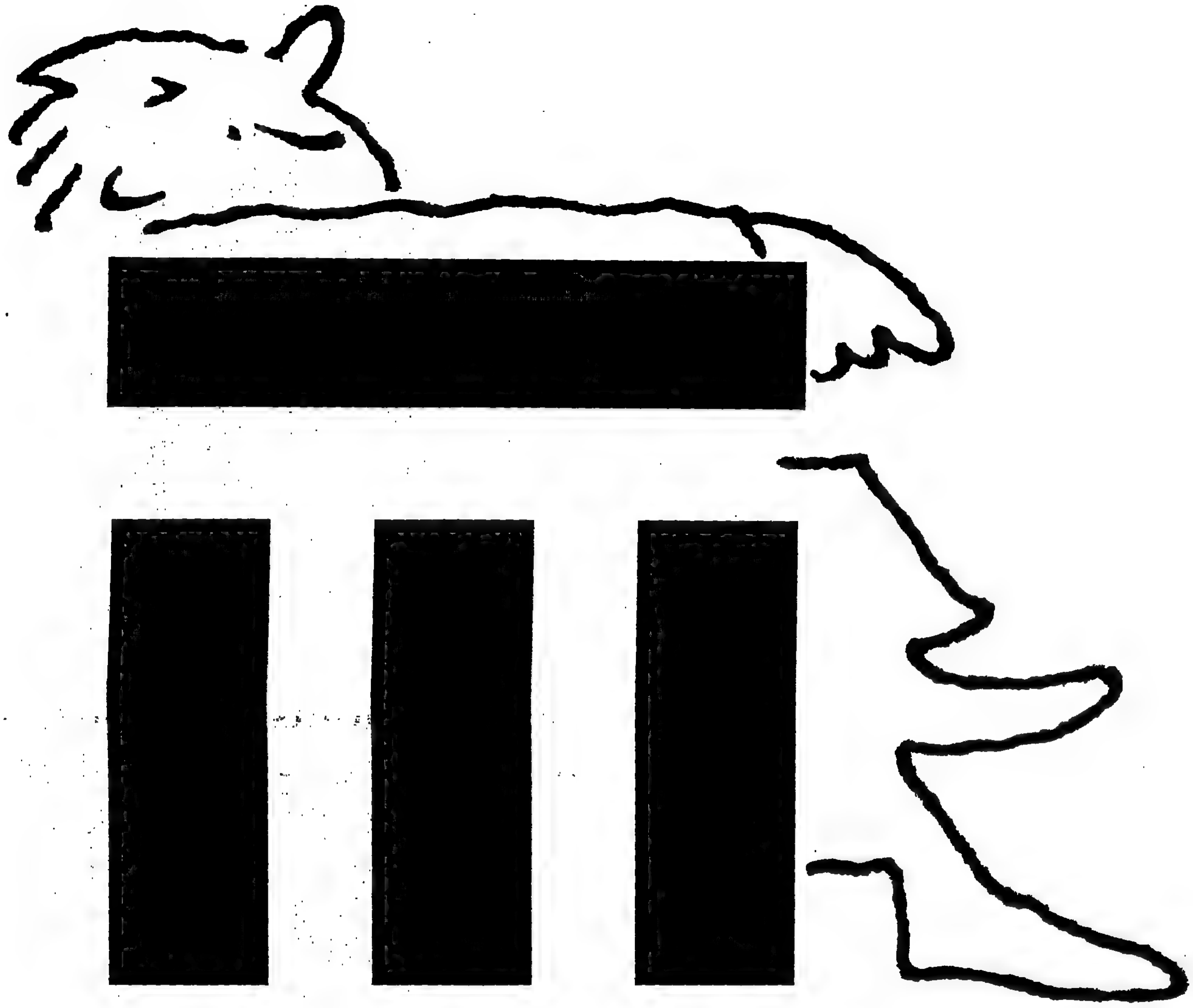
FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JUNE 18 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 17 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (79)	200.82	0.5	192.87	137.06	156.15	169.31	0.8	4.35	199.93	191.80	137.55	157.75	167.93	212.18	163.30	164.59
Austria (25)	191.99	0.0	184.29	131.04	151.19	151.14	-0.2	1.86	192.03	184.23	132.12	151.52	151.46	199.28	168.11	191.26
Belgium (27)	213.92	0.1	205.45	146.01	166.47	164.49	0.0	4.05	213.65	204.97	146.99	168.57	164.53	216.61	186.06	192.08
Brazil (28)	172.90	0.7	166.06	118.01	136.15	318.70	0.7	2.09	171.74	164.77	118.16	135.51	316.81	172.90	123.97	134.55
Canada (99)	160.32	0.6	153.97	109.42	126.25	158.78	0.7	2.40	159.29	152.82	109.60	125.69	157.62	165.12	134.14	142.60
Denmark (30)	299.70	0.7	287.84	204.55	236.02	237.99	0.4	1.90	297.77	285.68	204.87	234.95	236.99	305.17	275.65	275.65
Finland (23)	193.67	0.4	186.01	132.19	152.52	188.34	-0.1	2.65	192.89	185.05	132.71	152.20	188.51	276.11	171.73	220.04
France (97)	196.44	-0.2	188.66	134.07	154.70	158.53	-0.2	3.03	196.76	188.77	135.38	155.25	158.90	198.39	167.70	182.68
Germany (60)	171.11	0.3	164.33	116.78	134.75	134.75	0.2	1.84	170.50	163.58	117.31	134.53	134.53	174.38	155.66	157.55
Hong Kong (59)	427.76	0.8	410.83	291.96	336.87	425.12	0.8	3.35	424.37	407.13	291.98	334.84	421.81	451.19	348.81	364.05
Ireland (15)	290.82	0.2	279.31	198.49	229.03	258.00	0.4	3.33	290.11	278.33	199.60	228.91	257.04	290.82	231.09	231.09
Italy (59)	83.51	2.0	80.20	57.00	65.76	95.83	1.9	2.29	81.88	78.55	56.33	64.60	94.10	84.53	67.22	72.69
Japan (481)	157.79	1.2	151.54	107.69	124.26	107.69	0.4	0.71	155.97	149.64	107.31	123.07	107.31	164.68	137.75	144.28
Malaysia (107)	551.36	0.0	529.53	376.31	434.21	529.91	0.0	1.70	551.34	528.94	379.33	435.02	529.83	585.08	425.77	548.24
Mexico (18)	1234.29	0.5	1185.43	842.43	972.03	10193.48	0.1	1.30	1227.97	1178.09	844.87	968.91	10181.59	1325.65	791.99	967.52
Netherland (19)	299.48	0.6	287.62	204.40	235.85	232.05	0.5	3.10	297.76	285.66	204.87	234.94	231.02	299.68	245.79	248.11
New Zealand (15)	79.03	1.0	75.90	53.94	62.24	62.12	1.0	4.37	78.22	75.04	53.82	61.72	61.51	85.49	75.34	79.65
Norway (35)	256.94	0.1	246.76	175.36	202.34	227.08	0.1	2.00	256.58	246.14	176.52	202.44	226.89	258.94	222.24	228.73
Singapore (44)	415.25	0.3	398.81	283.41	327.02	269.57	0.3	1.40	414.11	397.29	284.92	326.75	268.75	455.51	355.81	392.17
South Africa (45)	360.33	0.1	346.07	245.93	283.77	341.83	-0.1	2.10	359.83	345.21	247.57	283.92	342.12	437.76	339.37	341.98
Spain (37)	182.99	0.6	175.75	124.90	144.11	177.48	0.4	3.13	181.90	174.52	125.15	143.53	176.72	182.99	145.15	146.29
Sweden (48)	357.02	0.7	342.88	243.67	281.16	350.51	0.2	2.42	354.62	340.21	243.99	279.81	349.74	360.77	262.18	262.18
Switzerland (38)	238.16	0.8	228.73	162.55	187.55	184.29	0.7	1.61	236.17	226.57	162.49	186.34	182.99	262.34	191.24	196.47
Thailand (46)	168.50	0.4	161.83	115.01	132.70	165.52	0.2	2.00	167.87	161.05	115.50	132.46	165.11	183.95	146.74	171.17
United Kingdom (200)	234.92	-0.2	225.62	160.34	185.00	225.62	-0.1	4.13	235.51	225.94	162.03	185.82	225.94	237.43	210.29	219.07
USA (627)	269.76	-0.5	259.08	184.12	212.44	269.76	-0.5	2.19	271.08	260.07	186.51	213.89	271.08	276.47	220.54	220.54
Americas (772)	246.44	-0.4	236.68	168.20	194.08	207.19	-0.4	2.19	247.51	237.46	170.29	195.29	208.08	252.43	201.99	201.99
Europe (714)	211.56	0.2	203.20	144.41	166.62	184.97	0.2	3.05	211.07	202.49	145.22	166.54	184.65	211.58	187.21	188.96
Nordic (136)	305.44	0.6	293.35	208.47	240.54	264.06	0.2	2.32	303.68	291.35	208.94	239.62	263.54	306.61	253.68	259.68
Pacific Basin (831)	170.10	1.0	163.37	116.10	133.96	118.51	0.4	1.16	168.38	161.52	115.83	132.84	118.04	177.01	148.98	154.73
Euro-Pacific (1545)	187.27	0.7	179.86	127.82	147.48	143.71	0.3	2.05	186.05	178.49	128.00	146.80	143.29	190.57	168.51	168.90
North America (726)	262.89	-0.5	252.50	179.49	207.11	262.31	-0.5	2.20	264.18	253.46	181.76	208.44	263.49	269.52	215.71	215.71
Europe Ex. UK (514)	193.57	0.5	185.91	132.12	152.44	160.42	0.3	2.47	192.60	184.77	132.51	151.96	159.88	193.57	168.76	168.76
Pacific Ex. Japan (350)	285.83	0.5	274.51	195.08	225.10	246.90	0.6	3.09	284.44	272.89	195.70	224.43	245.47	296.66	243.59	254.17
World Ex. US (1735)	188.40	0.7	180.94	128.59	148.37	149.11	0.3	2.05	187.19	179.59	128.79	147.70	147.86	191.55	167.36	169.69
World Ex. UK (2162)	211.26	0.2	202.90	144.19	166.38	178.73	0.0	1.92	210.84	202.27	145.06	166.36	178.78	213.05	181.85	181.87
World Ex. Japan (1881)	244.34	-0.1	234.57	166.77	192.42	231.27	-0.2	2.54	244.67	234.73	168.34	193.06	231.54	247.55	208.28	208.28
The World Index (2362)	213.40	0.2	204.96	145.65	168.06	183.12	0.0	2.11	213.06	204.40	146.59	168.11	183.19	214.70	184.49	185.10

Latest prices were unavailable for this edition.

So who insures the insurers?



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First, the bad news: all over the world, in some places more than others, the old systems of care for the aging are aching and creaking. The figures just don't add up anymore.

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NEWS: THE AMERICAS

Sell-off call for bank that lends a hand

Argentina's Nación, banker to the neglected, is told to go commercial, writes **David Pilling**

The marble corridors of the grandiose headquarters of Argentina's state-owned Banco Nación have not seen such agitation in years. Not only did the bank last week cancel a $249m systems upgrade contract with International Business Machines after the indictment of 30 Nación, government and IBM officials on suspicion of defrauding the state. It is also fending off something which, to many, is even more ghastly than a bribery scandal: a recommendation that the bank be privatised.

Nación, Argentina's biggest bank, is one of the few state assets left untouched by Latin America's most sweeping privatisation process. But a recent report on the financial system by Mr Gerald Corrigan, former head of the Federal Reserve Bank of New York, includes a suggestion that Nación, too, should eventually be sold.

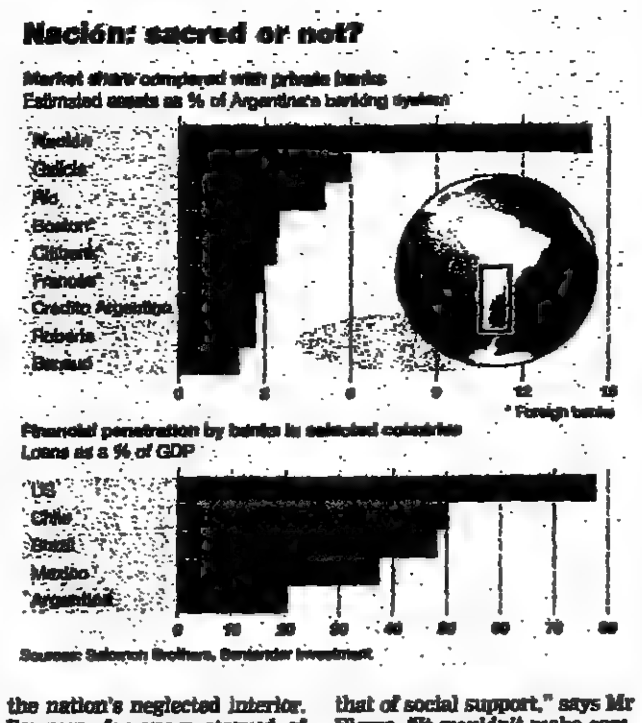
"The basic case for the privatisation of banks (including Nación) rests on solidifying the impartiality of the credit decision-making process and insuring a competitive, level playing field," says Mr Corrigan, now a senior executive at Goldman Sachs. "Whether in Argentina, Italy or anywhere else, government-owned banks are not the way to go."

That recommendation, taken up and then dropped by Mr Domingo Cavallo, economy minister, was recently endorsed – much to the annoyance of the bank's executives – by Mr Michel Camdessus, managing director of the International Monetary Fund. Argentina, said Mr Camdessus, should banish sacred cows.

Sacred or not, Nación is the giant of Argentina's banking herd. It has a monopoly on all state financial transactions, and holds nearly 16 per cent of total deposits in the $60bn financial system – three times more than its nearest private-sector rival. The biggest commercial network of 180 branches is dwarfed by Nación's 627.

"The private banking system could not cope with the impact of privatising Banco Nación," says Mr Jorge Elorza, the bank's spokesman. Four-fifths of the annual $8bn lent by the bank goes to small and medium-sized companies, which are generally shunned by other institutions. Decades of high inflation have made Argentine banks experts in speculation, but relative novices in lending to the productive sector.

Nación, like its private sector peers, gathers the bulk of its deposits in economically robust Buenos Aires, but unlike them lends mainly in



the nation's neglected interior. Farmers, for years starved of credit, make up 43 per cent of Nación's loan portfolio. It has branches scattered throughout Argentina's enormous territory, in places where commercial banks are but a distant rumour.

"Nación has two functions, that of economic support and that of social support," says Mr Elorza. "It wouldn't make commercial sense for a private bank to do this."

That is part of the problem, say Nación's detractors. The bank's socially driven lending policies, exacerbated by frequent political manipulation, the bailing out of free-spending governments and last year's recession, have left its portfolio in sorry shape. According to Fundación Capital, a private consultancy, 25 per cent of Nación's loans are non-performing, compared with only 7 per cent among foreign banks operating in Argentina. Given its huge presence, such defects influence the entire financial system.

Mr Corrigan says it is too simplistic to hold Nación responsible for Argentina's high real interest rates, among the continent's most onerous. But, he argues, the anomaly between "high spreads and low bank profitability" stems from the fact that "a huge fraction of credit is chewed up by credit losses".

Given the relative sophistication of the economy, Argentina's banking system is surprisingly backward. Years of economic chaos and negative interest rates have stunted its development. Only one in five Argentines has a bank account, the rest dealing exclusively in cash. Total deposits represent a mere 16 per cent of gross domestic product, half the level of neighbouring Chile.

Credit information is also poor. The absence of a clearing system means inter-bank transactions are settled in cash. That explains the bumper-to-bumper armoured vehicles lining Buenos Aires' financial district.

To tackle such shortcomings, "we need a crash course programme to build up financial infrastructure, so the banking system can expand its range, availability and efficiency", says Mr Corrigan.

Mr Elorza disagrees. "We have to modernise the bank and give it an efficient and competitive management," he says. "But from within."

The central element of that modernisation, however, the ill-fated IBM systems upgrade, is now subject to the vagaries of Argentina's legal system. The contract, due to be completed in May, hangs in suspended animation while Nación's new board – appointed in September to replace the disgraced previous administration – prepares to do legal battle. It could be 18 months before any new system is installed, admits Mr Elorza.

It could be longer still before Argentina's financial system is robust enough to permit Nación's privatisation. Besides, says the head of a foreign bank, "they need Nación to subsidise agriculture and to do many other things that would be difficult if the government did not control it.

"I don't believe they will privatise it," he says. "If they do, it will be years from now."

Clinton aide named in trial

By Jurek Martin, US Editor, in Washington

Mr Bruce Lindsey, one of President Bill Clinton's closest aides, has been named as an unindicted co-conspirator by the prosecution in the latest Whitewater-related trial that began in Arkansas this week.

Two Arkansas bankers, Mr Herby Branscum and Mr Robert Hill, are accused of having improperly diverted about $13,000 of deposits to Mr Clinton's 1990 election campaign for the governorship of the state and of having concealed the transaction from banking authorities.

A lawyer for one of them said in Little Rock yesterday that he had been advised by the Whitewater prosecution team that Mr Lindsey, at the time also one of then Governor Clinton's inner circle, would be named in court during the trial as being aware of the transactions.

Mr Lindsey is expected to be called as a witness during the trial, at which Mr Clinton will also testify via videotape from the White House, probably early next month.

Mr Mike McCurry, White House press spokesman, said yesterday that the legal reference had been expected, that Mr Lindsey had already declared his innocence under oath and that he would therefore stay in his present post.

The term unindicted co-conspirator is a piece of legal jargon made famous during the Watergate era in the 1970s, and may be variously interpreted. It may be a prelude to prosecution but may also indicate that insufficient evidence exists for an indictment.

The White House took the latter view yesterday, with Mr McCurry noting that, after many months of investigation, no charges had been brought directly against Mr Lindsey.

When he first came to Washington with the new Clinton presidency, Mr Lindsey was nominally in charge of appointments. But, then and now, his role has expanded into that of a major adviser in the kitchen cabinet, inside the White House and whenever the president travels.

New supervisor in place

By Jurek Martin

The White House yesterday tried to contain the damage from the embarrassing disclosures of its acquisition of FBI confidential files. It appointed a career civil servant to supervise its personnel security office.

Mr Charles Easley, who first joined the Reagan administration 10 years ago, replaces Mr Craig Livingstone, a long-standing, although until his appointment to the White House, low-ranking Democratic political operative, who was placed on "administrative leave" on Monday.

In announcing the move, Mr Jack Quinn, President Bill Clinton's legal counsel, insisted there was "nothing to indicate there was a political motivation behind this."

More than 400 FBI files, mostly on prominent Republicans, were passed to the White House in 1993-94, in what Mr Louis Freeh, FBI director, has called "an egregious violation of privacy."

The White House action came as a House of Representatives committee began its first day of hearings on the issue. It also followed Tuesday night's announcement that Ms Janet Reno, US attorney-general, had directed the FBI to re-open its investigations because Mr Kenneth Starr, the special counsel on the Whitewater affair, had concluded that it was outside his remit.

Congressman William Clinger of Pennsylvania, Republican chairman of the government reform committee in the House, welcomed the appointment of Mr Easley and the re-introduction of the FBI, but then launched a fierce attack on "the casualness with which this White House has approached many areas of security and protocol."

He found it "incredible" that Mr Livingstone had only been placed on paid leave two days ago. Mr Clinger alluded to the fact that Mr Livingstone's direct superior, Mr William Kennedy, had been a partner in the Arkansas law firm which also employed Mrs Hillary Clinton.

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AMERICAN NEWS DIGEST

Italy condemns US law on Cuba

The Italian presidency of the European Union yesterday called for an "unequivocal response" if US legislation targeting foreign investors in Cuba goes into effect unamended at the end of next month.

In Europe's strongest warning against the Helms-Burton law, Mr Lamberto Dini, Italian foreign minister, said the EU would be forced to take retaliatory action in response to a unilateral US act.

He received support for the idea of preparing countermeasures from Mr Jacques Santer, European Commission president, at a joint news conference at the European Parliament in Strasbourg, two days before the EU summit in Florence. "It is not a good idea to attack your partners to reach your adversary. We cannot accept the extraterritorial powers from the Helms-Burton bill," said Mr Santer.

The Helms-Burton law is named after its anti-communist Republican sponsors in Congress. It provides for legal action in the US against foreign companies and their executives who "traffick" in expropriated property once owned by US citizens, including Cuban exiles. *Lionel Barber, Brussels*

Cigarettes for Havana

The Brazilian cigarette-maker Souza Cruz, a subsidiary of Britain's BAT Industries, has started to make cigarettes for Cuba's hard currency internal market, in a joint venture with a Cuban state partner.

A small initial manufacturing line producing black tobacco cigarettes, under the brand name Popular, was begun this week at the renovated René Arcay factory in Havana. It is operated by BrasCuba Cigarrillos, a 50:50 joint venture involving Yolanda Participações, a 100 per cent owned subsidiary of Souza Cruz, and Cuba's Unión de Empresas del Tabaco (Uneta). No details were available of the production level. *Pascal Fletcher, Havana*

Canadian MP bounces back

Canada's former deputy prime minister, Ms Sheila Copps, regained her old job yesterday after winning a by-election in her home town, Hamilton, Ontario. The election was called month after Ms Copps had come under pressure to fulfil a promise that she would resign if the ruling Liberals failed to carry out a pledge to replace the unpopular 7 per cent goods and services tax (GST). The government has admitted that it has failed to find a suitable replacement.

Ms Copps won the by-election, held on Monday, by a wide margin. The result revealed a relatively strong showing by the Progressive Conservatives, reduced to only two MPs in the 1993 general election. *Bernard Simon, Toronto*

Caracas gives tax discounts

Venezuelan authorities are enticing late-payers to settle overdue taxes by offering a discount of as much as 75 per cent on liabilities. The scheme, which includes pardons on some penalties, applies to business and personal income, and to property taxes, as well as customs tariffs incurred through the fiscal year ending in 1994.

The tax amnesty is to end in October. The heightened campaign for better tax compliance follows an announcement by the state tax authority, Seniat, that collection has exceeded its goals for the first five months of 1996 by 20 per cent. Even so, Venezuela has the lowest tax compliance in Latin America after Haiti, says Seniat. *Raymond Colitt, Caracas*

NEWS: WORLD TRADE

Thailand reverses policy on cutting tariffs

By Ted Bardacke in Bangkok

Thailand has reversed its decision taken just a month ago to reduce tariffs on imports of some consumer goods and is considering raising tariffs on other goods after pressure to control a widening trade deficit.

Tariffs on textiles were restored to 10 per cent after being cut to 5 per cent last month. Tariffs on ready-made garments were raised to 30 per cent from 10 per cent, a level still below the original 45 per cent tariff rate.

A government spokesman said tariff cuts on other products, such as leather shoes and bags, cosmetics, perfume and tableware, may be reversed as well, though manufacturers' concerns on these products may be addressed by lowering tariffs on raw materials rather than raising duties on imported finished goods.

A decision on how to proceed with these other goods was expected within a month, the spokesman said.

The tariff reversal is a direct response to vociferous complaints from Thailand's private sector and worries that export growth is slowing while import growth shows no signs of tapering off. In the first quarter of this year, exports grew only 7.8 per cent, compared with 24 per cent for all of 1995 and 21.7 per cent in the fourth quarter of last year.

The move also comes amid concerns of some in south-east Asia that the region's tariff-cutting push may be losing momentum.

Officials from the Association of South-east Asian Nations (Asean) recently gave a lukewarm response to a Philippine proposal that the Asean Free Trade Area (Afta), which promises to reduce all tariffs within the region to 5 per cent or less by 2003, be opened to all countries on a Most Favoured Nation basis.

Despite being one of the most forceful advocates of free trade in the region, Thailand said Afta should try to consolidate internally first before looking at the opening up the scheme to other countries.

Thai government officials stressed that most of the items affected by the new tariff measure come from outside Asean, primarily Europe and Japan, and therefore the country would have no trouble meetings its Afta commitments. They also claimed the restored tariffs were still low enough to comply with Thailand's commitments to the World Trade Organisation.

The reversal marks the first major policy change by new finance minister Bodi Chunnananda, who has moved quickly to establish conservative yet pro-growth credentials in contrast to his predecessor ousted earlier this month, Mr Surakiart Sathirathai, who favoured more international liberalisation while attempting to engineer a controlled slowdown of the booming Thai economy.

Balancing fair trade and fair work

Guy de Jonquières and **Frances Williams** on a vexed issue dividing policy-makers

Differences over how to respect human rights and stamp out exploitative labour practices are threatening to drive a wedge between international trade policy-makers.

The issue, which has been simmering for several years, seems likely to come to the boil at the ministerial conference of the World Trade Organisation in Singapore in December. Some observers fear it might even overshadow the agenda and prompt rancorous public squabbling.

The US, with some support from the European Union, Japan and Canada, is pushing the WTO to discuss trade and labour standards. They are expected to press their case again today at a meeting in Geneva of WTO ambassadors, chaired by Mr Renato Ruggiero, the organisation's head.

Their demands are adamantly opposed by most developing countries, which suspect the west really wants a pretext for trade protection.

Even the EU is split. France and southern members back US demands. But they are opposed by Germany, the Netherlands and by Britain – which thwarted a US-led attempt last month to get ministers of the Organisation for Economic Co-operation and Development to call for the WTO to discuss labour standards.

Nor has the campaign won much independent academic backing. A recent study by OECD economists found no clear links between countries' observance of core labour standards and their trade and economic performance. It also doubted that enforcing labour standards through trade measures was practical, and warned that doing so would create international political frictions.

The US has not, in fact, sought to make its case on economic grounds. It also insists it is not seeking an excuse to erect trade barriers or discriminate against low-wage competitors, and does not want labour standards upheld through trade sanctions.

Washington's argument, echoed by Sir Leon Brittan, EU trade commissioner, is that popular feeling on the issue is so strong that unless the WTO at least acknowledges it, public support for trade liberalisation risks being undermined.

"We need to be able to give a political signal to our domestic workforce that while they may face competition from workers in lower-wage countries, they will not face competition on the basis of denied worker rights," a recent US position paper says.

The US wants WTO ministers to issue a "political declaration" in Singapore linking the maintenance of an open world trade system to promotion of "core" labour standards, such as freedom of association, prohibition of forced labour and elimination of exploitative child labour.

It also wants the ministers to create a working party to identify and report back to them on links between labour standards and WTO rules.

But recent US efforts to clarify its aims appear to have won few converts. South-east Asian trade ministers are committed to opposing any discussion of trade and labour standards in the WTO, as is India.

Mr Yeo Chow Tong, Singapore's minister, who will host the December meeting, has said new issues should be placed on the WTO agenda only if their links with trade were clearly demonstrated first.

Critics of the US position do not dispute that unemployment and job insecurity risk creating a protectionist backlash in the west. However, they also point out that US political support for tougher measures linking trade and labour standards seems decidedly patchy.

The US links trade preferences for developing countries to their human rights records. But President Bill Clinton has been unable to persuade Republicans in Congress to include labour standards provisions in the "fast-track" authority he needs to negotiate new trade agreements.

Repeated US efforts to legislate a domestic ban on imports made by child labour have so far got nowhere. The US has also signed only one of the five core labour standards conventions issued by the International Labour Organisation – and ratified only 12 of the total 176 ILO conventions. It says that though it respects their spirit, the UN body's conventions do not mesh with its own laws.

Nonetheless, Washington is stepping up its lobbying in the ILO. It recently proposed that the "Rugmark" labelling system, which certifies that hand-made carpets have not been produced with child labour, be extended to clothing and other products.

However, the ILO lacks teeth. Though it monitors compliance with its conventions, it has no power to enforce them, and its developing country members oppose any move to relate labour rights and trade.

In the coming months, the WTO is likely to remain the main focus of US efforts to promote that link internationally.

Some observers, in the US as well as in Geneva, suspect Washington's campaign is mainly intended to impress US trades unions and may be ratcheted down after the US presidential election in November. They also think Mr Robert Dole, the Republican contender, would drop it completely if he became president.

But whether these beliefs are well-founded is unlikely to become clear until after the election – barely a month before WTO ministers meet in Singapore.

Child labour: A seven-year-old breaks stones on a Bangladeshi building site

Trade unionists suffer in battle to attract investors

The growth of world trade has led to more violations of trade union rights, as countries compete for investment and contracts from multinational companies, according to the International Confederation of Free Trade Unions, writes Andrew Bolger, Employment Correspondent.

Its latest annual survey of violations of trade union rights says 378 people were murdered, mostly in Colombia, for being trade unionists in 1995.

"It is shocking that carrying out legitimate activities should amount to a death sentence," says the Brussels-based body, which represents 127m trade unionists in 136 countries.

The survey claims that as more countries bring in restrictive union legislation, more and more people are being arrested or sacked for union activity.

The growth of export processing zones has also been accompanied by bans on unions within them. "During 1995, the Bangladesh Export Processing Zones Authority placed advertisements in the international media to attract investment, saying that "the law forbids the formation of labour unions in these zones and strikes are illegal".

The survey says Chinese special economic zones are synonymous with repression. "Those who complain or attempt to form unions are likely to be sentenced to three years in a labour camp and there are currently hundreds of trade unionists in prison."

Another trend highlighted is to make strikes illegal for public service workers, and to make the definition of "public service or public interest" so large as to encompass most workers in a country.

WORLD TRADE NEWS DIGEST

Brazil may face car complaint

Japanese negotiators have threatened to complain to the World Trade Organisation after talks in Brasília failed to resolve a dispute over Brazilian duties on vehicle imports. Japan wants Brazil to repeal a decree under which carmakers operating in Brazil pay duties of 35 per cent on vehicle imports while importers without a manufacturing base pay 70 per cent. It blames the decree for a 95 per cent drop in its car exports to Brazil between the first four months of 1995 and the same period this year.

Brazil earlier suspended a request for a WTO waiver of its regime, preferring to reach bilateral agreements with other WTO members. *Jonathan Wheatley, Sao Paulo*

China urged to cut motor tariffs

The European Union yesterday urged China to liberalise trading rules for its automotive sector to make imports of vehicles and components easier, and to bring its policies into line with requirements for membership of the World Trade Organisation. Mr Endymion Wilkinson, the EU ambassador, told a seminar in Beijing that China's motor industry could only succeed if it was integrated in the world trading system.

Mr Wilkinson called for a major improvement of China's offer on automobile tariffs, as well as proposals to eliminate all inconsistent quotas and other non-tariff measures such as restrictions on foreign investment that hamper trade and investment in China. *Tony Walker, Beijing*

Poland offers tax break for GM

The Polish government has approved the establishment of a special enterprise zone in the southern industrial district of Katowice, clearing the way for General Motors to locate a DM500m ($330m) car production plant there. GM will pay no taxes on its profits for the first 10 years, and enjoy a 50 per cent reduction for a further 10 years. Corporate profit tax is 40 per cent in Poland. GM wants the 80,000 cars a year plant to begin production late in 1998. But it has still to sign an final agreement with the Polish government, and GM's board has yet to give final approval. *Christopher Bobinski, Warsaw*

US optimism on telecom deal

US officials are predicting that multilateral negotiations to liberalise global trade in telecommunications services will reach a successful conclusion by the deadline of February 14, 1997. The talks were originally scheduled to conclude on April 30 this year, but the US pushed for an extension, saying the offers were not sufficiently tempting. Mr Stuart Eizenstat, commerce department undersecretary of international trade, said he was "cautiously optimistic" that the EU and some Asian countries would improve their offers and the US would "marginally improve" its own. *Nancy Dunne, Washington*

US bows to petrol ruling

The US said yesterday it would comply with a World Trade Organisation ruling to end discriminatory regulations on cleaner petrol – but it has not decided when or how.

US officials told the WTO's dispute settlement body that the administration would need the "reasonable period of time" allowed in WTO rules and would be consulting with Venezuela and Brazil which brought the original complaint.

The ruling, the first by the WTO's appellate body, upheld the judgment of the WTO dispute panel that US regulations designed to curb air pollution from car exhausts breached trade rules by imposing stricter standards for gasoline imports than for domestic refiners. *Frances Williams, Geneva*

Minister warns of cash threat to embassies

By Bruce Clark, Diplomatic Correspondent

Britain's representation in other countries could be seriously affected if the diplomatic service suffers further expenditure cuts, a Foreign Office minister warned yesterday. But Mr Jeremy Hanley told the foreign affairs committee of the House of Commons that the prospect of the British Council having to close several offices had been averted.

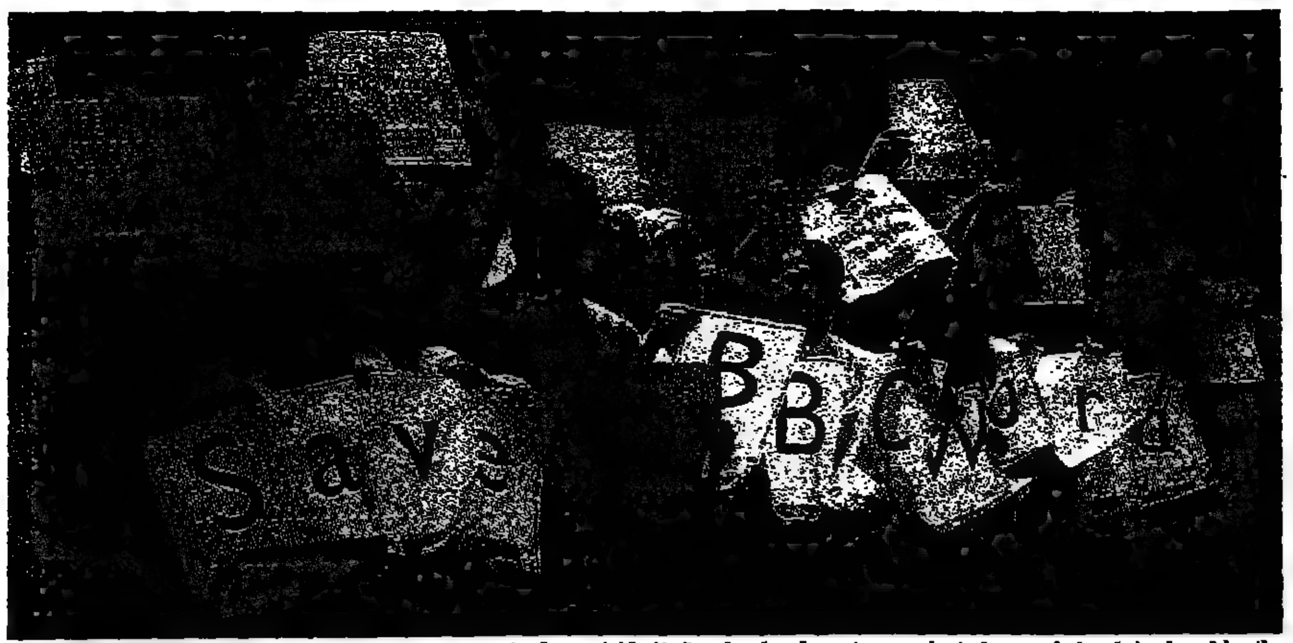
Mr Hanley and Baroness Chalker, the overseas development minister, made clear to the committee that their departments were under strain because of reduced resources. Mr Hanley said the budgets of the French and German foreign ministries in the current financial year exceeded that of the British Foreign Office by 50 per cent and 30 per cent respectively.

The government's latest expenditure plans call for a real-terms drop in the budget of the UK diplomatic service to £1.1bn ($1.7bn) by 1998-99 from a peak of £1.43bn, including an unexpected £273m in UN peacekeeping costs in 1995-96.

Mr Hanley told the committee: "I'm not happy with any reduced expenditure . . . we live with it because it is for the greater good of the country." He warned that "were there to be continued reductions, then functions and maybe posts could be at risk".

The immediate outlook for the British Council, which promotes British culture, had improved. Thanks to last month's decision, reducing from 16 per cent to 10 per cent the cuts that will be imposed by 1999, the council should be able to continue in 109 countries. A Foreign Office spokesman said British embassies and diplomatic missions should also be safe from shutdown in the current financial year, but all options would have to considered in the following two years.

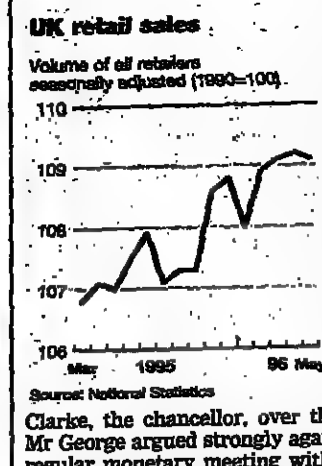
Lady Chalker said British aid would be more sharply focused in future. The share of UK aid received by the top 20 countries was likely to rise from nearly 70 per cent now to about 75 per cent over the next few years. Asked about Britain's attitude to Unesco, Lady Chalker said it had made significant moves towards reform, but they had not gone far enough to justify Britain rejoining the body.



Staff from the BBC World Service demonstrated yesterday outside its London headquarters against changes being introduced by the BBC management. The protesters included Mark Tully (fourth from left) who covered south Asia for the corporation. Under the changes the World Service would commission programmes, but they would be made by new BBC divisions

UK NEWS DIGEST

Retail sales in surprise decline



Retail sales fell last month for the first time since January, raising doubts about the strong recovery in consumer spending promised by the chancellor this year. The surprisingly weak figures disappointed the City of London, which had expected a strong rise in sales in line with more buoyant survey evidence. But the data appeared to provide further vindication of the chancellor of the exchequer's quarter-point interest rate cut on June 6. Signs of a potential split between Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, the chancellor, over the rate cut emerged yesterday. Mr George argued strongly against cutting interest rates at his regular monetary meeting with the chancellor on May 8, the minutes of the meeting showed yesterday.

In May Mr George warned that any interest rate cut might boost consumer demand too quickly and could therefore put the government's inflation target of 2.5 per cent or below in danger, the minutes showed. Retail sales fell a seasonally adjusted 0.1 per cent between April and May and were 2.0 per cent higher in May than the same month last year, the Office for National Statistics said. *Graham Bowley, Economics Staff*

Electronics company expands

One of Britain's fastest growing electronics companies, printed circuit board maker Interconnection Systems, is to build a £120m ($184m) plant in north-east England, creating 1,000 jobs. The decision by the company, which claims to be Europe's largest manufacturer of pcbs, concludes a long tussle for the investment between north-east England, Scotland and Spain. The new plant is to receive a public-sector support package of around £23.5m, including government Regional Selective Assistance for safeguarding 350 existing ISL jobs. *Chris Tighe, Newcastle upon Tyne*

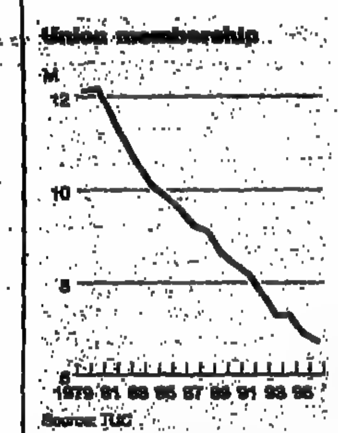
Ireland expansion by Mirror

Mirror Group, London-based publisher of the Daily Mirror, is on the verge of making a £15m ($23m) investment in Northern Ireland which would include taking control of the Belfast-based Newsletter – the UK's oldest daily newspaper and a strong opponent of nationalist politics in the region. The main part of the investment will come through the installation of two large colour presses in Northern Ireland which will be used to print copies of all Mirror Group titles for all of Ireland. *Raymond Snoddy, London*

Curb on charter flights

The government yesterday announced restrictions on charter flights operated by aircraft registered outside the countries they serve. Most British holidaymakers on charter flights are transported by UK airlines or carriers from the destination country. The restrictions will apply to so-called fifth freedom services chartered from airlines registered in third countries. Ministers announced a review of such flights earlier this year following concerns from UK operators about unfair competition. *Alan Pike, London*

Union membership sinks



The number of members in unions affiliated to the Trades Union Congress has now fallen to 6.75m – just over half the figure when the Conservatives came to power in 1979. The TUC took some comfort from the fact that the 2 per cent decline from 6.9m in 1995 compared with a 6 per cent drop the previous year. Mr John Monks, general secretary of the TUC, said the decline in union membership could be slowing as unions stepped up national recruitment campaigns. But he admitted: "There is no room for complacency. The only way unions will begin to grow is by breaking into new jobs and industries and sharpening our appeal to Britain's growing army of part-time and insecure workers." *Andrew Bolger, London*

TV move by Warners

Warner Brothers Television announced plans to launch a satellite television channel in the UK in November. The channel, which will be part of British Sky Broadcasting's multi-channel package, will carry everything from cartoons and films to live-action series. The channel will be one of more than a dozen new channels or programme segments to be introduced by BSkyB in the autumn. Every year BSkyB introduces an extention of its programming range and then increases the price of the total package by about £3 ($4.60) a month. Warner Bros will appoint a UK-based general manager who will report to Ms Sue Kroll, a senior vice-president of Warner Bros International Channels. *Raymond Snoddy, London*

Strike on Underground soon

London Underground will be severely disrupted next Thursday when most of its drivers stage the first of four one-day strikes in a dispute over pay and hours. The executive of Aslef, the train drivers' union, also called for stoppages on July the 3rd, 8th and 16th after its 2,000 members in the network had voted to strike. The action is likely to cause severe travel problems for commuters and tourists and will cause problems for tennis fans attending the Wimbledon Championships. London Transport has increased its pay offer from 2.7 to 3.2 per cent, but differences remain over hours. *Andrew Bolger, Employment Correspondent*

The European Union Sir James Goldsmith says heads of government apart from Kohl are 'men of straw'

Germany demands strict 'mad cow' safety rules

By Our Foreign Staff

Britain's partners in the European Union yesterday indicated cautious backing for any move towards a solution to the beef crisis, but stressed that public health remained the priority.

Germany, which has led demands for scientific evidence that British beef is safe, will want assurances that Britain is putting in place strict safety measures before any relaxation of the ban.

Mr Jochen Borchert, the German agriculture minister, said yesterday the ban would be eased only once Bonn was satisfied meat carried no risk of BSE or "mad cow disease". The agriculture and health ministries have consistently opposed any relaxation, giving precedence to the health of the consumer. "There is no alternative to a consistent approach in protecting the consumer," Mr Borchert said. "That is because we can only re-instil confidence in our own German beef by ensuring the highest possible consumer protection."

France said it was "relatively optimistic" that a solution could be reached on the basis of the Commission's proposals.

French officials said the plan seemed to meet French concerns by requiring the slaughter of cows possibly infected with BSE as long ago as 1989 and independent checks by scientific experts of British sanitary controls.

France would agree to a framework plan of phased lifting of the trade ban on UK beef, one official said, once Paris was reassured that public health risks had been removed and once the UK dropped its policy of blocking European Union decision-making.

"We are relatively optimistic" about the crisis coming to an end at the Florence summit, Ms Catherine Colonna, President Chirac's, spokeswoman said.

In Spain, Mr José Maria Aznar, the prime minister, told parliament his government "would have to have guarantees from the appropriate scientific committees to ensure consumers' health and peace of mind" before it could consider even a partial lifting of the ban.

The tough tone came after criticism from Spanish farmers' leaders when the Madrid government adopt a more conciliatory line two weeks ago, indicating it was willing to agree to a phased lifting of restrictions subject to scientific reports.

Sweden, which was among the first EU countries to impose a unilateral ban on British beef, reiterated yesterday that any solution would have to be decided on scientific grounds.

PM hails flexible EU links

By Robert Peston, Political Editor

Mr John Major, the prime minister, yesterday described Britain's role in the European Union as that of "grit in the European oyster", having an often "uneasy" relationship with other member states and resisting all moves towards federalism. In a cautiously sceptical speech attempting to distil his approach to Europe of the past five years, Mr John Major urged other members to cease debate about any final institutional structure for the EU.

They should instead accept it as a flexible and loose partnership of nations. "A Europe of nations cannot be pre-determined", he told an audience in the City of London. "There is no pre-set destination".

Mr Major's approach appeared to receive unexpected support from Sir James Goldsmith, the billionaire funding the Referendum Party, which will field candidates in most constituencies in the next general election. In an interview in today's Tribune newspaper, Sir James rejected the government's attachment to free trade, but said that "Britain has to insist on a Europe of nations and go in there and fight for it". The UK either had to "convert or split Europe", Sir James said, arguing that it could succeed because "heads of government in Europe, apart from Chancellor Kohl, are men of straw".

Mr Major said that much of the UK's tension with other EU states stemmed from its history as "instinctive free traders". Another important difference was the UK's political culture, which was "more black and white, more adversarial, more blood and thunder".

His speech was in part an attempt to widen the agenda in the current intergovernmental conference on reforming EU institutions. This means creating an institutional framework in which some EU members work together on specific projects while others stay on the sidelines.

Based on this approach, Mr Major signalled that his next great conflict with the EU is likely to be over the expected imposition of a directive on employees' working hours, which the government believed it could reject because of its social chapter opt-out.

● The prime minister's office was last night hoping to avoid a Commons showdown with MPs in the governing Conservative party over the beef "peace settlement" by the simple expedient of not putting the proposed framework to the vote, George Parker writes at Westminster.

Ministers have been casting an anxious eye over their shoulder for weeks, fearing that even if a framework could be agreed in Brussels, they might not be able to push it through the House of Commons.

But last night Conservative party whips said they were confident that no order or legislation in the House would be needed – even if the EU agreed to an extended selective cull of around UK 100,000 cattle.

Commission sets out course for ending ban

By Neil Buckley in Strasbourg

The European Commission identifies five stages in lifting the ban on British beef exports, but rejects one of the UK's main demands.

Britain's eight-page framework document last week called for an early lifting of the ban on exports to non-EU countries. The UK argued that, because its own consumers could choose whether to eat British beef, there was no reason why consumers outside the EU should not be given the same choice, if their countries wanted to import meat from Britain.

The Commission's three-page paper, however, makes clear that "exports to third countries will [only] be permitted in parallel to phased exports to other member states". Commissioners discussing the paper in Strasbourg on Tuesday night raised ethical objections to allowing exports to non-EU states while the EU ban remained in place. They also cited practical concerns about the difficulty of ensuring that such exports did not filter back into the EU.

Otherwise the document can, in the words of a Commission spokesman, "be considered to be a comment on the British paper". It mixes sharp criticism with more soothing words. The paper endorses the other four areas in which the UK suggested the export ban could progressively be lifted. These are:

● Animals and meat from herds certified to have no history of BSE or to have been entirely grass-fed.

● Embryos.

● Animals born after a specific date and their meat; the UK suggested a date of September 1 1996, but the Commission gives no date.

● Meat from animals under 30 months old, thought to be too young to have developed BSE.

The Commission's paper adds a fifth step, not explicitly referred to by the UK: lifting the ban on meat from animals over 30 months "as a longer term perspective" - in other words, removing the final element of the ban. The paper also adds preconditions to any commencement of the lifting process, including extending the scope of the UK's selective cull of cattle most at risk from BSE from 80,000 to at least 100,000 – a move the UK accepted yesterday.

Other preconditions are a strengthening of BSE control measures outlined in the UK document after concerns were raised by Commission inspectors and vets. These include an identification programme for cattle, legislation enforcing removal of meat-and-bone meal from feed mills and farms, and better methods of removing material likely to carry BSE from cattle carcasses.

As in the UK document, there is no timetable. The paper warns that for each phased lifting to be agreed, established procedures must be followed - the same tortuous process followed in lifting the export ban on beef by-products such as gelatine, tallow and semen. The UK must produce a working paper on each step, detailing conditions and checks it will impose. That paper must be approved by the Commission's own scientific veterinary committee - and possibly other committees - as well as member states' veterinary experts.

Convincing these various committees of the effectiveness of the steps it is taking will be an important challenge for the UK. The Commission warns bluntly of "considerable misgivings about the effectiveness of past actions taken by the UK in relation to BSE".

Blame for "plummeting" consumer confidence throughout the EU and "substantial damage to the meat industry" is put squarely on Britain.

Elsewhere, the language is more emollient, noting that commission inspectors have "confirmed progress" on measures to protect human and animal health.

Takeover Panel opposes Brussels

By Ross Tieman in London

The ability of the City of London's voluntary Takeover Panel to resolve bid conflicts quickly and effectively would be at risk if European Commission proposals were implemented, Mr Alistair Defriez, the panel's director general, warned yesterday.

Mr Defriez said the panel might be open to compensation claims of up to £1bn ($1.54bn) from losing parties in bid battles. He was opening a campaign against a draft European Union directive designed to harmonise takeover regimes. He explained that, according to the panel's legal advisers, "one interpretation could be that the Panel itself is liable. The members couldn't continue to operate without an appropriate indemnity."

Any changes to the takeover regime are of great importance to the financial community in London. Takeovers generate big fee incomes for City firms.

The draft directive would place the takeover supervisory authorities of member states within a legal framework. That would enable bidders and defenders to challenge decisions by the supervisory authority in court and claim compensation.

The Takeover Panel is a non-statutory body without formal authority. With members drawn from City practitioners, it acts as a referee when interpretation of the voluntary code for takeovers and mergers is in doubt. Its aim is to provide speedy and effective outcomes to takeover bids and to minimise uncertainty.

Mr Defriez said companies would exploit any change in the takeover regime to win advantage in bid conflicts. "Tactical or nuisance litigation would inevitably result," he said.

A similar European Commission proposal of 1985 was dropped in the face of opposition from Britain, Germany and the Netherlands.

Ministers accused on Post Office privatisation

The opposition Labour party yesterday accused the government of promoting the "back-door privatisation" of the Post Office by changing its policy on the liberalisation of European postal services, David Wighton writes at Westminster. Mr Kim Howells, Labour industry spokesman, claimed that the government planned to vote for liberalisation at a meeting of EU ministers next week.

The government denied there had been a policy change but indicated that it was likely to back a compromise proposal to introduce competition into the fast-growing and lucrative direct mail business from 2001. Mr Howells said: "It is a recipe for cherry-picking by firms who could not compete with Royal Mail [a division of the Post Office] in providing a comprehensive service."

● Postal workers were yesterday accused of "midsummer madness" after their union gave notice that tomorrow's one-day strike will be followed by a second 24-hour stoppage next week.

Royal Mail said it had been notified by the CWU postal workers' union of a stoppage from noon next Thursday to noon the following day by 134,000 workers.

Ending Net Book Agreement fails to boost sales

By Francis Fishwick

It is now nine months since the Publishers' Association decided it would no longer enforce the Net Book Agreement which for nearly 100 years had required British booksellers to charge minimum retail prices for most books.

Some within the book trade hoped retail price competition would stimulate demand in a market that had become relatively static. But the evidence on book sales since the demise of the agreement appears to give little support to such hopes. Sales of books have not risen enough to compensate for the cost of price-cutting. The pattern of discounting can be analysed using the weekly surveys in Publishing News, which cover only the large bookselling and supermarket chains. The table summarises the position on November 24, the peak of the Christmas shopping season, and on May 24.

Discounting by big chains

	Number of titles discounted	Average list price (£)	Average discount (%)	Number of titles discounted	Average list price (£)	Average discount (%)
Booksellers	Nov '95			May '96		
Books Etc	49	13.60	33.2	15	17.69	28.0
Dillons	108	15.83	23.9	23	15.25	21.5
Menzies	87	11.68	30.7	43	11.15	27.0
W.H. Smith	133	13.52	25.4	100	14.49	27.3
Waterstone's	49	15.91	25.3	4	14.74	15.9
Supermarkets						
Asda	16	7.05	39.2	39	8.17	35.4
Safeway	4	10.27	15.7	25	8.27	35.4
Tesco	25	8.19	22.1	57	7.74	30.2
Woolworths	34	7.37	37.0	51	9.89	34.2

Source: Publishing News

The supermarket chains have become more aggressive in discounting, cutting the prices on more titles and by bigger percentages. However, the big J. Sainsbury group has largely stayed out of the battle, with only four titles discounted in May.

There is little that independent booksellers can do to compete. Most have to pay more to obtain these books wholesale than the prices supermarkets are charging the consumer. Even if they can secure better deals – perhaps by collective buying – they will then have to find a way of telling customers about discounts.

This might not matter if the abolition of the Net Book Agreement increased the total market. But figures published by the Office for National Statistics in March (Consumers' Expenditure), suggest that the reverse has happened. Spending on books in the first nine months of 1995 was 2.2 per cent higher (in nominal terms) than in the same period of 1994. But after the demise of the agreement, spending in the final quarter of 1995 was 6.8 per cent below the previous year.

The marketing director of Penguin said in March that increased volumes of best-sellers had been partly at the expense of other titles.

From this and other incomplete evidence, I conclude that demand for books rose about 5 per cent in volume terms in the last quarter of 1995 compared with the last quarter of 1994. But the increase in volume failed to compensate for the average discount. This might have been expected in the short term. A study by Paul de Grauwe and Geert Gielens of Leuven University estimated price elasticity of demand in Belgium at −0.6: a 10 per cent fall in price would produce a 6 per cent increase in volume.

Studies in the UK, US and France suggest a higher figure might be expected in the longer term – price-elasticity of around −1. This would mean a 10 per cent fall in price would produce a 10 per cent increase in sales. But even this sort of elasticity would be insufficient to maintain profits – which would need volume rise greater than the cut in prices.

The author is reader in managerial economics at Cranfield School of Management

Cinema/Nigel Andrews

Wall-to-wall machismo

THE ROCK
Michael Bay

EYE FOR AN EYE
John Schlesinger

MABOROSI
Hirokazu Kore-eda

A MONTH BY THE LAKE
John Irvin

MAN OF THE YEAR
Dirk Schafer

GLASTONBURY THE MOVIE
Robin Mahoney, Matthew Salkeld, William Beaton

The Rock is an action thriller designed to gala-open the silly season. The helicopters whir, the music soars and crashes, the dialogue does what dialogue gotta do, as Sean Connery and Nicolas Cage, representing the FBI, smuggle themselves into Alcatraz to topple Ed Harris, representing all American army generals who have ever gone mad for Hollywood.

Harris has taken control of the former island prison with a few men and a few rockets armed with poison gas. He holds 83 tourists hostage – now gibbering as tourists will at any change in their itinerary – and he threatens to blow up San Francisco if the Pentagon does not deliver X million dollars. This is for the families of unhonoured soldiers who have died on secret US missions abroad.

What a cause. What a plot. Only the producing duo of Jerry Bruckheimer and the late Don Simpson, who bemused us with *Top Gun* and *Crimson Tide*, could have underwritten anything so overwritten. And only the early summer could have brought it out of hiding.

At some of the talent deployment we are not sure whether to weep or giggle. Connery plays a veteran escapologist with a Ben Gunn beard who is sprung from prison by the authorities (if he is such a Houdini, why hasn't he escaped already?) to lend whiskery expertise to the Rock-busters. "In retrospect I'd rather have been a poet or a farmer", he understandably muses. And scarcely less credence-testing is the sight of the freshly Oscared Nicolas Cage, here playing a chemical warfare boffin who grows from scatterbrained hippy into gung-ho hero in 129 minutes flat.

Finally, though, you either cringe at the expense of money and manpower in a waste of action kitsch or you give up and savour the perverse virtuosity with which Simpson-Bruckheimer have built their house style. It consists of loud bangs, wall-to-wall machismo and frenzied editing, not to mention music to die for, by and with, here composed by a Hans Zimmer recycling with minor changes the doomsday throbs of his score for *Crimson Tide*.

As a Hollywood product, *The Rock* is an Alcatraz of male chauvinism in the midst of a creeping tide of action movie feminism. In *Eye For An Eye*, a quieter if hardly less addled thriller, the role of Charles Bronson is played by Sally Field. More exactly Ms Field sets her jaw, goes vigilante-minded, and learns how to use a handgun after her daughter is raped and killed by Kiefer Sutherland.

When Sutherland goes free in court on a technicality, the police laugh at Field's suggestion that they re-pursue him. "He'll sue the city and end up with his own talk show," they say. So she joins a sort of bereaved-parents-for-rough-justice coffee club and later disguises herself in dark glasses and basketball cap to mosey down to K.S.'s squalorous one-room lair.

That touch at least is original. Most killers in Hollywood movies today are crypto-gay loners living with their workout equipment in dark, glacially chic apartments. We almost expect the knock on the door to be Design Today arriving for their special "psycho edition" photo-shoot.

Little else is original in this movie. The garage where the vigilantes hatch their revenge plots just *must* have a sinisterly flickering neon sign. The mysteriously persistent friend at the coffee club just must have a hidden identity and agenda. And even the scary opening – a traffic-jammed Field tuning into her daughter's last minutes on a mobile phone – spirals into hyperbole, not to say tautology, as our car-fleeing, help-beseeching heroine tries to bring the whole Los Angeles road system to a standstill, which of course it is anyway.

★

To see the Japanese film *Maborosi* is to enter a calmer, deeper world. The camera hardly moves, nor do the characters. But the film's faint pulse is hypnotic. The girl who believes she brings death to those near her – her dream-remembered grandmother, her husband who walks into a moving train one unexplained night after work – drifts through bleak townscapes and bleaker shorescapes, tending a daughter, meeting a new man, trying to make emotional pieces fit together that won't.

The static images, lit by subtly changing colour filters, are composed like haikus. A discarded lightbulb gently rolling beside an alarm clock on a bedside table; a "still life" of a steaming kettle and bunch of keys (the husband's last relic); a shoreline with its toy-like coloured houses huddled against a bleak, patternless sea. Though based on a novel, the film breathes almost entirely through its pictures, making first-time director Hirokazo Kore-eda in every sense a talent to watch.

★

A Month By The Lake, starring Vanessa Redgrave and Edward Fox as two fiftysomethings who meet and love by Lake Como, is like 90 minutes in a time warp. If it were a play it would have been written by N.C. Hunter, who used to pen those dramas about politely disembodied people interacting in foreign hotels.

Under Swiss-Italian skies pastily shot by veteran lensman Pasqualino de Santis, the two love-seekers overcome the brief distractions of younger fare – she fancies a passing Italian youth, he licks a discreet chop at governess Uma Thurman – to end in each other's arms, or as close as two now institutional English actors like to get.

John Irvin directs affectionately if stiffly. Redgrave coos, gasps and radiates. And Edward Fox wears his habitual expression of a man about to spit something unpleasant from his mouth, in this case the dialogue.

Man Of The Year is no better, though more original. Soon after the handsome ex-Playgirl centrefold Dirk Schafer did the brave and amazing thing of "coming out" as gay, he did the even braver and more amazing thing of writing and directing a semi-fictional comedy about his career. (If lying on your back with no clothes on, awaiting a staple in your stomach, can be called a career.) Amazing in theory, at least. But the mockumentary style entwining fake interviews with friends, colleagues and parents with real footage from TV chat shows that Schafer appeared on becomes increasingly strained and winsome. Joky self-deprecation is fine, so long as the jokes are good and the self is compelling enough to be worth deprecating.

Last and least, *Glastonbury The Movie*, a rock documentary set in the fields of King Arthur, blew a fuse half the way through the press show.

The projection breakdown caused those of us with more pressing business to take an early departure, though the brave were summoned back the next day to see what they had missed.

Two sequences out of 40-odd are worth treasuring. In one a group of pre-festival fans, asked about the rock event's appeal, manage to go through an almanack of semi-stoned facial expressions while assembling one coherent syllable. In another, we learn answers to a question we never quite dared ask. What happens if you get taken short right in the middle of the crowd? You may not want to know. But if you do, you can catch this film which thoughtfully replaces the cancelled 1996 Glastonbury festival.

Going mad for Hollywood: Nicolas Cage and Sean Connery in 'The Rock'

Runners line up for the Turner Prize

With the publication of the short-list for 1996, the Turner Prize is set to be as conventionally controversial as usual. Again it is limited to a British artist under the age of 50, is worth £20,000, and is sponsored by Channel 4, pleased as ever "to promote the newest and best of British art." It is still fixed upon the dubious premise that quality and adventure are only to be identified with the self-conscious, "cutting-edge" avant garde. The only surprise is that for once no sculptor or installationist appears among the lucky four. Here are the runners.

■ Douglas Gordon (29), ex-Glasgow School of Art and the Slade: a conceptual artist latterly working with film. He has, so the advance literature tells us, "drawn particular attention to the subjectivity of phenomena such as perception, memory and amnesia . . . (His) 'Something Between Your Mouth and Your Ear', 1994, comprised a blue room in which the audience listened to 30 songs that were 'in the air' between January and September 1966, the months Gordon spent in the womb. The songs may have formed his earliest unconscious memories." I like the "may".

■ Craigie Horsfield (45), ex-Saint Martin's: a photographer. "(He) records the environment around him, and the people he is in daily contact with, in hundreds of negatives. Then, at a certain distance in time, sometimes many years, he selects an individual negative and transforms it into . . . his final artworks . . . (his is) a deeply felt conviction that we cannot live a moral life without acknowledging our fellow humans."

■ Gary Hume (34), ex-Goldsmiths': a painter. "He first came to public attention with a series of 30 paintings based on the imagery of doors of the kind found in hospitals and other institutions. These works . . . were painted, often in monochrome, in brilliant, high-gloss, household enamel paint. At first glance they appear completely abstract, but once the door motif is recognised they emerge as a play on the relationships between . . . art and the reality it depicts . . . Hume had also recognised the potential of a subject hardly explored before in painting, and one not with out resonance – to pass through the swing doors in a hospital might well be to pass from life to death, for example."

■ Simon Patterson (29), ex-Goldsmiths': a painter. He "is fascinated by the information systems which order our lives . . . (and) irreverently inverts, or wryly subverts, these systems, which include maps, diagrams, taxonomies, constellations, measuring, calculating and spelling. He has taken, for example . . . the Delta Airlines Chart, the periodic table, the London Underground Journey Planner and football team formation, and inserted his own associations and connections . . . For Patterson, even the most private or obscure reference that he makes can find an audience, since his own knowledge of history, science and culture is shaped in a social context." The LU football-team formation?

Well, by their words shall ye know them, though it is sometimes hard to keep a straight face. There they are, the newest and best of British for the year, and we can hardly wait for autumn, the parade in the paddock and the actual running of the prize in November. It is a selling-plate which Horsfield should win, just about, but don't count on it.

William Packer

The Covent Garden Verdi Festival

A Byronic hero takes a bow

The dashing young corsair of Lord Byron's poem captivated a generation in the mid-19th century with his free spirit and rebellious nature. He would seem to be the ideal romantic hero for an opera and Verdi thought so too at first, though he lost interest in *Il corsaro* even while he was writing it.

The opera has never had many people speaking up for it, starting with the composer himself. It had a handful of performances in his lifetime and has been revived a little more than that since the war. Originally, the Royal Opera intended to put on a fully-staged production, shared with Turin, but either the money ran out or they took one look at the Turin staging and thought better of it. For its Covent Garden premiere *Il corsaro* finally turned up in plain evening dress at a concert performance on Tuesday.

At least it has now taken a bow on the professional stage in London. It would be foolish to claim that this opera is an undiscovered masterpiece, but it strikes me as being of an altogether higher quality than, for example, *Alzira*, which is the other lost lamb from the Verdi flock to be presented in this year's festival. The plot of *Il corsaro* is very thin and unclear as to what its point is, but Verdi clearly sympathised with the Byronic atmosphere.

He is more adventurous in this score than the history-books would have us believe, mixing new colours on his orchestral palette to depict the rustle of breezes on the seashore in the last act and the pall of gloom in the prison scene (weighty strings in octaves, very effective). Evelino Pidò's taut conducting, getting decisive playing from the orchestra, was the strongest feature of the performance.

The main regret from losing the staging was that the Royal Opera had found exactly the right person to play the Byronic hero, captain of the corsairs. The young and dashing José Cura looks the role and generally sounded it as well, despite some dryness from an infection. He sings more confidently with every appearance here and delivered Corrado's role with splendid panache, the vocal equivalent of a swashbuckling swipe of the sword.

In the story he is torn unconvincingly between two women. Viktoria Loukianets sang the passive role of Medora, who is deserted in the opening scene and then ignored till the end, with a brittle soprano that spun artful long *bel canto* lines. Maria Dragoni set about Medora, the beauty of the harem, as though she was a villain, forcing what might have been a decent lyric soprano with every ugly vocal trick in the book. Roberto Servile sang neatly as the baritone Pasha Seid. Various pirates and eunuchs completed the cast.

Richard Fairman

The chorus of critical contumely that greeted Tim Albery's production of *Nabucco*, when it opened in Cardiff last September and again when it reached Covent Garden in April, was almost as rousing as Verdi's famous "Va pensiero" chorus, though more discordant. Thus forewarned, I was suitably braced for the revival last week, as part of the Royal Opera's Verdi Festival; but in the event I was almost disappointed not to be more put out.

In fact the bold, stripped-down lines of Antony McDonald's sets are rather pleasing. They fill the space of the Covent Garden stage effectively; the statutory "references" to the Holocaust – hard for any *Nabucco* producer to resist nowadays, since "Nabucco" is Nebuchadnezzar – are obvious and soon ignored. The costumes are odder, but no doubt foreign visitors will take the burly Babylonian chaps in evening gowns and long gloves as confirming what they always suspected about the Brits anyway.

The new Nabucco is the Australian Gregory Yurisich, who was struggling with a chest infection but managed still to suggest a strong, tormented character. As Zaccaria, the Hebrew high priest, Samuel Ramey wielded his usual authority; his sister Anna, in the striking person of Jennifer Rhys-Davies, looked to be on loan from the Australian series *Prisoner: Cell Block H*. The excellent Elena Zaremba lent her dark, pungent mezzo to Nabucco's daughter Fenena.

Making her Royal Opera début, the French soprano Sylvie Valayre displayed a confident cutting edge in the demanding role of Abigaille. At short notice, the young Spanish tenor Vicente Ombuena took over the underwritten part of the Hebrew prince Ismaele and made a sound impression in it.

Michael Druiett made the most of his Babylonian high priest, too, stern and forbidding. The score was conducted with panache by Mark Elder, and the Royal Opera chorus rose enthusiastically to Verdi's splendid choral music. All in all, we had a satisfying evening.

David Murray

Further concert performance of *Il corsaro* on July 21 with BBC Radio 3 live relay. *Nabucco*, a co-production with Welsh National Opera, has further performances on June 26, July 3 and 6.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Joe Maneri Quartet: featuring saxophonist/pianist/clarinettist Joe Maneri, violinist Mat Maneri, double-bass player John Lockwood and drummer Randy Peterson; 9pm; Jun 21

■ BERLIN

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Palestrina: by Pfitzner. Conducted by Christian Thielemann and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Oskar Hillebrandt, Gerd Brenneis and René Kollo; 6pm; Jun 23

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2002000
● Symphony No.2: by Mahler. Performed by the Philharmonia Orchestra with conductor Gilbert Kaplan, soprano Julie Unwin, mezzo-soprano Ning Liang and the City of Birmingham Symphony Choruses; 8pm; Jun 21

■ BRUSSELS

EXHIBITION
Le Botanique Tel: 32-2-2183732
● Ca tourne depuis Cent Ans, une Histoire du Cinéma Francophone de Belgique: in film's 100th year, this exhibition focuses on the history of the cinema in Wallonia; to Jun 23

■ CAMBRIDGE (US)

EXHIBITION
Fogg Art Museum
Tel: 1-617-495-9400
● Renaissance and Baroque Sculpture from the Alexis Gregory Collection: exhibition of some 50 small-scale sculptures, mostly cast in bronze, from the collection of New York publisher Alexis Gregory; to Jun 22

■ CANBERRA

EXHIBITION
National Gallery of Australia
Tel: 61-6-240-6411
● Soft But True: John Kauffman (1864-1942) Art Photographer: exhibition of soft focus style and printing techniques developed by Kauffmann and his fellow pictorial photographers in the period between 1890 and 1920; from Jun 22 to Aug 11

■ DETROIT

EXHIBITION
The Detroit Institute of Arts
Tel: 1-313-833-7963
● Glenn Ligon: To Disembark: an installation by New York artist Glenn Ligon, adapted from his 1994 solo exhibition at the Hirshhorn Museum and Sculpture Garden in Washington, D.C.; to Jun 23

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888
● The National Symphony Orchestra: with conductor Niklas Willen and organist Peter Sweeney perform works by Rossini, Wilson and Tchaikovsky; 6.30pm; Jun 21

■ GHENT

OPERA
De Vlaamse Opera
Tel: 32-9-2230681
● La Fanciulla del West: by Puccini. Conducted by Silvio Varviso and performed by De Vlaamse Opera. Soloists include Stephanie Friede, William Stone and Richard Margison; 8pm; Jun 21, 23 (3pm)

■ GRANADA

FESTIVAL
Auditorio Manuel de Falla
Tel: 34-58-222111
● Festival Internacional de Musica y Danza: under the general title "Las músicas de Manuel de Falla", this year's edition of the festival aims to represent the echo and scenery of the music written, studied or loved by this Andalusian composer on the occasion of the 50th anniversary of his death. Together with his own works, the festival programme is defined by the musician's preferences, including Gregorian and Byzantine chants, the Renaissance polyphony, music by Beethoven, Chopin, Wagner, Mussorgsky, and De Falla's friends in Paris Debussy, Stravinsky and Ravel; from Jun 21 to Jul 7

■ HAMBURG

DANCE
Hamburgische Staatsoper
Tel: 49-40-351721
● Odyssee: a choreography by John Neumeier to music by George Couroupos, performed by the Hamburg Ballet; 8.30pm; Jun 22

■ INDIANAPOLIS

CONCERT
Warren Performing Arts Center
Tel: 1-317-898-8061
● Indianapolis Symphony Orchestra: with conductor Raymond Leppard and violinist Elmar Oliveira perform works by Vivaldi and Verdi; 8pm; Jun 21, 22

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Toimii: with conductor Esa-Pekka Salonen, keyboards-player Magnus Lindberg, cellist Anssi Karttunen, guitarist Timo Korhonen, clarinettist Kari Kriikku and percussionist Riku Niemi perform works by Lindberg; 7.15pm; Jun 22
EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
● David Livingstone and the Victorian Encounter with Africa: this exhibition offers an account of the life and times of David Livingstone, from his birth and childhood in the cotton mills of Lanarkshire to his journeys as missionary and explorer across the continent of Africa; to Jul 7
Spink & Son
Tel: 44-171-9307888
● Spink's Annual Watercolour Exhibition: selling exhibition of British watercolours from the mid-18th to the mid-19th century. Artists represented in this show include Gainsborough, Towne, Sandby, Turner, Girtin, Lear and De Wint; to Jun 21
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Don Carlos: by Verdi. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Karita Mattila, Martine Dupuy, Roberto Alagna and Robin Leggate. Part of the Verdi Festival '96; 6pm; Jun 22

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Lari Pittman: this mid-career survey of Southern California artist Lari Pittman highlights 35 of Pittman's works, including new paintings created specially for this presentation; from Jun 23 to Sep 8

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Genoese Drawings and Prints: exhibition showing a selection of about 110 drawings and prints by Genoese artists of the 16th to 18th century, with particular emphasis upon the innovative work of Giovanni Benedetto Castiglione; to Jul 7

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Marek Janowski and violinist Olivier Charlier perform works by Henze and Beethoven; 8pm; Jun 21
EXHIBITION
Musée d'Orsay
Tel: 33-1 40 49 48 14
● Offenbach: exhibition examining the success of composer Jacques Offenbach (1819-1880) at the end of the 19th century. The exhibition comprises 250 objects from public and private collections, including paintings, sculptures, costume models, posters, photographs, ceramics and pieces of scenery; to Jun 23

■ STRASBOURG

EXHIBITION
Musée des Beaux-Arts & Arts Decoratifs - Palais Rohan
Tel: 33-88 32 48 95
● De Giotto à Canaletto: exhibition of Italian paintings from the museum's collection. Alongside these paintings, works are shown by French, Spanish, German and Dutch artists who travelled or settled in Italy; from Jun 21 to Oct 17

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Economic Viewpoint • Samuel Brittan

The gap is in your mind

Estimates of the output gap are too uncertain for policy purposes. But the inflation target regime is not all that superior and is highly dependent on "gap" analysis

Many years ago I went to see an energy guru about the energy gap that was supposed to spell doom for the world economy. Alas this guru insisted on depriving me of my problem: "What gap?" he asked. "The gap is in your mind." He turned out, of course, to be right.

Today the favourite gap is the output one – the gap between potential and actual output. It is supposed to determine whether inflation is likely to rise or fall and thus give a clue to future developments in monetary policy.

Indeed, a lurid colour chart of the output gap for the US, Germany and Japan is the first illustration in the new annual report of the Bank for International Settlements. The chart shows an output gap of 3 per cent for Japan and one of almost 1 per cent for Germany at the end of last year. The US on the other hand is shown working above the safe level of capacity, suggesting that the Fed may need to step on the brakes – if it takes the gap analysis seriously.

So it is not surprising that the UK Treasury asked its Panel of Independent Forecasters (known as the Wise Persons) to produce "a special report on the output gap". Unusually, however, there is an introductory section, presumably by a Treasury author, which succeeds in presenting the gist of the argument more coherently than any of the individual Wise Persons.

Like the energy gap, the output gap is a mental construct – but a more interesting one. The history and development of the idea are instructive. The early 1950s and 1960s editions of Paul Samuelson's best-selling economics textbook outlined a gap of sorts. It was between actual output and that which would be produced at full employment, interpeted fairly literally as an unemployment rate of a couple of per cent. Samuelson had a particularly neat diagram showing how extra public spending or lower taxes could bring the economy up to the full employment point, if only fuddy-duddies would stop worrying about budget deficits.

The size of the gap was increased by an adjunct known as Okun's Law, which stated that the change in output was about twice the change in unemployment. On the original Samuelson-Okun concept, today's output gaps would be huge, representing at least 10 to 20 per cent of the gross domestic product of most European countries.

These hopes for full employment disappeared when actual jobless rates began to soar in the 1970s. (Alan Budd, the Treasury chief economic adviser, explained in detail how this happened in a lecture on Tuesday.) Meanwhile, a different sort of gap appeared from a different end of the economic spectrum.

Professor Milton Friedman showed very persuasively that no kind of monetary or fiscal policy could permanently reduce unemployment below the level made possible by the functioning of labour and product markets. If a government tried to push down the unemployment rate further through expansionary policies, the results would ultimately just be accelerating inflation.

The level of unemployment at which inflation remains stable was called by Friedman the "natural rate". But because the name was thought

> The gap framework is a hazardous one for policy. If estimates of it are too low there is a danger of hitting output on the head when it starts to rise

Estimates of UK output gap and potential growth

Per cent of GDP	Short-term output gap	Long-term output gap	Potential growth rate over next 3-5 years	Long-term growth rate
Average	1.7	3.2	3.2	2.4
Range (mid-points)	⅝–3	1½–7	2½–4½	2⅛–3
Range (full)	-¼–3	0–7	2–5	2–3

Source: Treasury panel of independent forecasters

to embody a fatalistic attitude many economists preferred to call it the non-accelerating inflation rate of unemployment or "Nairu".

A further stage came with the realisation that in some countries the constraint on output might not be the labour market but the available stock of capital. As a result the emphasis shifted from unemployment rates to capacity utilisation.

The capacity gap came into fashion when many economies were already depressed, partly as a result of official attempts to lower inflation. The gap thus came to mean the extent to which an economy was working below capacity. However, capacity here does not mean the maximum rate at which the economy could physically operate, but the maximum rate at which it could operate without inflation taking off. Because the implication has recently been that economies could safely be boosted by lower interest rates, the idea of the capacity gap has not been as politically contentious as the natural rate of unemployment was, but it belongs to the same family of ideas and is inextricably linked with it.

It is basically because the Treasury believes that there is still some output gap that it has sometimes supported Kenneth Clarke, the chancellor, in his attempts to nudge interest rates down. But the size of the gap is highly contentious, ranging from 3 per cent of GDP to the view that the economy is already working at the limits of capacity. The most optimistic of the chancellor's panel is Professor Patrick Minford, who has often been close to Margaret Thatcher and who believes that her reforms have enabled the British economy to operate with little more than 1m unemployed compared to 2.17m at present.

The novel aspect of the Wise Persons' analysis is the attempt to move beyond the crude idea of a single output gap to the notion of a short-term one and a long-term one. In the short term, UK output might very well be limited by physical capacity. But in the longer term investment should increase to provide extra capacity if the demand is there. The ultimate constraint remains the labour market: in other words how many extra people will take jobs at existing real wages.

If capacity is given time to adjust in this way, we get a still wider range of estimates for the longer term output gap, going up to 7 per cent. Since the last recession, the British government's policy has been based on the assumption that the economy can grow somewhat faster than its underlying trend while the gap is being filled. So potential growth over the next three to five years depends both on the size of the present gap and the underlying long-term growth rate. There is less controversy about the latter, which is put in the range of 2 to 3 per cent. But because of the uncertainties about the gap, and therefore the opportunity for catch-up, potential growth is put in a much wider range of 2¼ to 4¼ per cent per annum, with an average estimate of 3.2 per cent.

Private sector analysts tend to be gloomier about the capacity gap than academic or official ones. For instance Michael Dixon of Lehman Brothers believes there is now virtually no gap at all. It may seem disappointing that after all the supply-side changes in the 1980s and the slow growth since 1990 there should be so little room for any output spurt before the inflation barrier is reached. But an alternative explanation is that reported growth rates are too low in view of the difficulty of measuring the service sector.

The gap framework is a hazardous one for policy. If estimates of it are too low there is a danger of hitting output on the head whenever it starts to rise. If they are too high we could trigger off yet another inflationary cycle. Most of the Wise Persons believe that the economy can grow temporarily by just above 3 per cent per annum in the next three to five years. But they warn that this should not be seen as a growth objective and that the inflation target framework should take precedence.

Unfortunately, this advice is insufficient. There are a lot of ambiguities about the precise meaning of the inflation target of "less than 2½ per cent". There is also no stated policy on what should happen if the government believes it will be undershot. Moreover, the inflation forecast itself is heavily dependent on estimates of the output gap and capacity growth.

If there were a national cash spending objective, it would not be so vital to guess at physical magnitudes such as capacity or unemployment. Nor would it be so important to make an accurate breakdown of GDP between real growth and inflation. Meanwhile, there is too much complacency that an adequate macro-economic framework exists when it does not.

BOOK REVIEW • Stephen Fidler

BORDERING ON CHAOS: By Andres Oppenheimer
Little, Brown, 367pp, $25.95

Time runs out for Mexico's party

Mexico has pushed itself into the headlines in the past two years for all the wrong reasons: political assassinations, corruption, peasant rebellion and financial crisis.

Few countries have suffered such an abrupt deterioration in their image abroad. Seen in Washington and farther afield as one of the free-market success stories of the 1990s, Mexico lurched into crisis after devaluation in December 1994 forced it to seek a US-led international rescue package which included $20bn (£13bn) of US government funds.

Partly as a result, the country looms larger now in the US political debate than at any time this century. That is unlikely to change while drug trafficking, illegal immigration and the alleged destruction of American jobs by cheap labour from abroad remain important concerns for US voters.

With few non-academic books in English on modern Mexico, this account of the country's recent upheavals by Andres Oppenheimer of the Miami Herald has been eagerly awaited – particularly after the deserved success of his previous book on Cuba. This book describes the events surrounding Mexico's *annus horribilis*, 1994 – the year of the rebellion in the southern state of Chiapas, the disastrous devaluation and the assassination of two leading figures in the ruling party, presidential candidate Luis Donaldo Colosio and its general secretary, José Francisco Ruiz Massieu.

Last year, events took an even more extraordinary turn when Mr Raúl Salinas, brother of former President Carlos Salinas, was arrested on charges of murdering Mr Ruiz Massieu. He was later found to have at least $120m in European bank accounts.

In the words of Mr Octavio Paz, Mexico's Nobel Prize-winning poet and essayist, this is all symptomatic of a political system that is running out of steam. It is no longer possible to run Mexico as it has been run: as a centralised single party state dominated by the figure of the president.

The main obstacle to a more genuine democracy is the Institutional Revolutionary Party (PRI) which has governed since 1929. The party has become so entangled with the state that the distinction between the two is hopelessly blurred.

The book provides an excellent example in the account of the famous "$25m-a-plate" dinner in 1995 attended by President Salinas and Mexico's richest businessmen, many of them beneficiaries of his privatisation programme. Mr Emilio Azcarraga, the television magnate, talked of pledging more than $50m towards a fund for the PRI to give it independence from government finance.

But when word of the dinner got out it became a damaging scandal. How could elections be free and fair when the outgoing president was using his influence to line up hundreds of millions of dollars – sums far beyond the reach of opposition parties – for the PRI?

The PRI machine demonstrated its strength in the 1994 election that brought Mr Ernesto Zedillo to power. Although the fairest in memory, the vote was also strongly influenced by highly biased television coverage and by the opposition's mistakes.

Mr Zedillo, conscripted as presidential candidate after the assassination of Colosio, appeared ill-equipped for the presidency (Oppenheimer describes him as an accidental candidate). A bookworm at Yale and a former central banker, he was not in the mould of most PRI politicians – he was the poorest man ever to ascend to Mexico's highest office. Yet, despite his protestations about his commitment to the democratic process and rule of law, Oppenheimer has a hunch (nothing more) that the president is a closet autocrat.

Unfortunately, despite good reporting, the author does not move far beyond such impressionistic analysis. He provides the reader with no framework with which to understand what he reports, and no clues about where the country is heading.

One reason is simply that some important parts of the picture are absent or only sketchily covered. For example, while there is much detail about events in Chiapas, there is little on what was a more traumatic event for the Mexican ruling class and the economy – the murder of Colosio, President Salinas's hand-picked successor.

Furthermore, Oppenheimer underplays the role of Mr Manuel Camacho, the former mayor of Mexico City who was appointed peace commissioner in Chiapas. Mr Salinas later said privately that this appointment was one of the biggest mistakes of his presidency. Angry that Mr Salinas had not chosen him to be his successor, Mr Camacho used the job as a platform to challenge Colosio.

Oppenheimer does look into some interesting questions such as the growing gulf between the US-influenced north and poor south, which is one consequence of a more open economy. But more often any analysis is off-beat.

For example, we learn from Coca-Cola marketing surveys that, unlike Americans, Mexicans often switch from regular to Diet Coke. This suggests Mexicans are "compensators" who "overeat, repent and try to undo the damage on the next day, only to revert to their old habits shortly thereafter".

At one point, Oppenheimer describes a 1991 Central Intelligence Agency report highlighting growing tensions in Chiapas. "As was often the case," he writes, "the CIA had done a decent reporting job, but a terrible one of analysis." Unfortunately, the same is true of this book.

Bordering on Chaos is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

·LETTERS TO THE EDITOR·

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Apprentice schemes in right fields

From Ms Jo Gardiner.

Sir, The UK should indeed reject a low-wage, low-skill future for its economy (Letters, June 16). But there are no simple routes to the goal of long-term competitiveness.

Targeted, employer-supported apprentice schemes have a good track record – particularly in Germany – meeting business needs and raising the national skill resource. But the government's recent figures on the UK's modern apprenticeship scheme ("Basic skills lag behind competitors", June 14) show that the programme is producing far too few apprentices qualified in essential fields such as telecommunications and information technology. The scheme is untargeted, resulting in a skills imbalance across the regions; it is also substantially undersubscribed.

The answer is not simply more apprenticeship programmes in the UK, but the *right* programmes to meet different business needs across regions. These schemes should be targeted at those of all ages who are relatively under-skilled, or who are inappropriately skilled in a fast-moving employment market.

Employers should recognise that cutting training investment to achieve short-term savings cannot pay off in the long term.

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Figures can tell another EU story

From Mr Graham Watson MEP.

Sir, Martin Wolf grudgingly concludes ("Thinking the unthinkable", June 18) that "membership of the EU seems to be a price worth paying". But his conclusion would surely have been more enthusiastic if his analysis had not been so one-sided.

Europhile or europhobe, anyone can present the figures in such a way as to prove their own case. Even taking Professor Patrick Minford's mildly sceptical calculations as a basis, one could plausibly show that in the near future Britain will be benefiting to the tune of £8bn-£10bn annually (assuming that the Common Agricultural Policy is either reformed, or that world prices stay at EU levels, and that UK budget contributions decline, while Minford's assessed benefits remain the same).

By concentrating exclusively on the pounds and pence, however, Martin Wolf ignores the political linkages that are part of the EU equation. What about, for example, the weight the UK gains from EU representation in World Trade Organisation negotiations? Acting alone, it would have been a lonely voice in the cacophony of the Uruguay Round. Today it gains from the mutual muscle of the EU in day-to-day trade wrangling.

The monetary calculations of the single market's benefits also ignore two key facts: one, it is not yet fully finished; two, there would be painful costs involved in being outside it. The former means that, as it is pieced together, we are likely to gain more and more, the longer we stay in. The latter means that industry and consumers can look forward to punitive interest rates were we to come out.

Of course, all these considerations are as hard to weigh up as the stark cost/benefit analysis discussed by Mr Wolf. But not to consider them at all is bound to produce a flawed answer.

**Graham Watson,
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Belgium**

Advantages in returning to the Efta fold

From Mr Anders Buraas.

Sir, The UK could leave the European Union without losing the benefits, simply by rejoining the European Free Trade Area (Efta). Members of this excellent organisation, a UK creation to start with, today have an agreement with the EU by which, for all practical purposes, they enjoy the same advantages, including a free flow of trade and capital, as the EU members themselves.

The European Economic Area (EEA), as the agreement is called, now three years old, is working well for its Efta members, the more so as they are not called upon to take a stand on such tricky matters as the Common Agricultural Policy, common employment policies, monetary union, etc.

The Efta countries which have opted for EEA, are Liechtenstein, Iceland and Norway, and the secretary general, Mr Kjartan Johannsseon, of Iceland, would, I am sure, be delighted to welcome the UK back in the fold.

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No eyebrows raised at strong male leadership

From Ms S.L. Kuo.

Sir, Observer tells us ("Forward march", June 17) that the governments of the world had better watch out when Maria Cattaui's "iron hand and hot temper" arrive at the International Chamber of Commerce (where she takes over as the new secretary general). As a woman myself, I wonder could there be a tinge of sexism here? If she were a man, there would be no raised eyebrows at the presence of strong leadership – whether at the ICC or the World Economic Forum.

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Netanyahu: difference in tone, not substance, on peace process

From Mr M. Arieli.

Sir, Julian Ozanne's article "Netanyahu unveils sweeping reform to liberalise economy" (June 18) does not do justice to Israel's new prime minister.

The outgoing Labour party government had a negative stance both towards Palestinian statehood and an eventual division of Jerusalem (as Mr Peres himself coined Yassir Arafat's expression of hope about establishing Eastern Jerusalem as the capital of a future Palestinian state: "People are allowed to dream . . .").

As for the Golan Heights, the new government's guidelines seek the retention of Israeli sovereignty *in* the Golan ("Bagolan") and not *over* the Golan Heights. Vive la difference! Here again, the late Mr Rabin and Mr Peres had made a commitment to conduct a referendum regarding any territorial concessions to Syria.

So the differences between the Netanyahu and Peres governments amount (at this juncture at least) to little more than differences in tone. The music itself, however, is very much the same. The way in which Mr Netanyahu has handled the rightist wing within his camp (Messrs Eitan and Sharon) bodes well for pragmatism on the peace process front.

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FINANCIAL TIMES

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Thursday June 20 1996

Beating metals into shape

The announcement yesterday by the Securities and Investments Board that it will review the London Metal Exchange after the Sumitomo's huge losses is most welcome. The LME authorities seem to have acquitted themselves reasonably well in handling the affair, in which Sumitomo, the Japanese company, lost $1.8bn in unauthorised dealings. But the debacle has cast such a cloud over the market that only an investigation can clear the air.

The LME, the world's largest metals market, has come a long way since it almost collapsed in the 1985 tin crisis. The coterie of small brokers which once ran the exchange has been replaced by the well-funded subsidiaries of large financial and metals companies. Reporting, supervision and regulation have been transformed. The exchange is no longer a law unto itself but, like other City markets, is accountable to the SIB. The reforms have coincided with commercial success, with the LME beating off an international challenge from Comex, its US rival.

However, the Sumitomo affair raises serious questions. Sumitomo says its losses came from a single rogue trader, Mr Yasuo Hamanaka, who hid his dealings for 10 years. If this is true, the blame lies mainly with the man himself and his superiors. But Mr Hamanaka's contacts with LME member companies need to be examined to ensure LME rules were not broken.

A key issue is the extent of LME authority over trades done in its name. Exchange-based transactions are a small percentage of the trades done on LME-linked prices around the world. The big majority is done over the counter. The LME supervises only its members: unlike US commodity exchanges it has no jurisdiction over clients, such as Sumitomo.

The SIB review should consider whether the law needs to be changed to oblige clients to register at the LME, as they do at US commodity exchanges. It should also examine whether LME members might not be required to provide more information about clients. The SIB could also encourage the LME to co-operate even more than it does already in international supervision.

However, any changes should recognise that the existing procedures worked well in detecting possible wrongdoing at Sumitomo. In 1991 the LME alerted the SIB when Mr Hamanaka asked an LME member for a false invoice. It was Sumitomo that failed to react. This year, Mr Hamanaka's exposure seems to have resulted from LME investigations.

Many of the LME's difficulties stem from the fact that metals markets are dominated by a few large companies, mainly metals producers. It is only too easy for such companies to exploit their dominant positions, for example, to try to drive prices up by keeping stocks off the market. The LME authorities strive to maintain orderly markets and limit extreme price swings. But it is wishful thinking to believe it can tame these giants on its own. The best hope lies in encouraging more large players into the markets – perhaps financial companies like the hedge funds which have recently made their presence felt. At first, new investors may seem disruptive because they upset established relationships. But, eventually, the liquidity they bring would make the market more stable, less prone to manipulation and probably easier to regulate.

Beef overdone

The European Commission's proposals, made public yesterday, for ending the so-called beef war are tough but fair. Despite the posturing of British ministers, the UK has no choice but to submit to commission procedures for getting rid of mad cow disease (BSE). If UK politicians had not become absurdly over-excited on the subject, the Commission's suggested framework would have been uncontroversial.

The Commission has wisely left the details of its phased programme to be decided by veterinary experts. It welcomes the measures already taken by the UK authorities and summarises what more must be done. It also warns that European consumers have lost confidence in the UK's ability to eradicate BSE. This is entirely fair. After the British government announced that it had been mistaken to think that BSE could not possibly affect humans, consumers voted with their D-Marks, guilders and francs. To rebuild those markets, Britain will have to slaughter more animals, tighten procedures in slaughterhouses and clean up animal feed manufacturers – all under the supervision of EU officials. If a potentially lethal toxin were discovered in, say, the French wine industry, the British public would be clamouring for measures at least as strict.

Food scares raise strong emotions but that is no excuse for politicians to cook them up into an international row, as the UK government did. Mr John Major, the prime minister, appeared to adopt a rather more conciliatory tone towards the EU in a speech in London yesterday.

He should follow this by abandoning his silly policy of disrupting EU procedures and move the BSE problem from politics into the realm of veterinary science where it belongs.

Murky water

The conclusions of the Senate Whitewater committee, appointed to investigate the tangled web of allegations concerning the involvement of the US president and his wife in a long-past Arkansas property deal, have done little to serve the cause of either clarity or justice. The Republican majority published a wrathful condemnation of Mrs Hillary Clinton, and accused her friends and officials in the administration of "a pattern of deception and arrogance" in the execution of their duties. The Democratic minority declared all allegations unproven. Their rival reports can too easily be dismissed as partisan and political.

There must be some doubt as to whether the whole truth about Whitewater, and the links between business and politicians in Mr Clinton's home state, will ever emerge. But the Clintons' partners in the deal, Mr and Mrs Jim McDougal, have now been found guilty on 24 counts of fraud and related charges.

So far, the president seems to have emerged relatively unscathed. Senator Al D'Amato, chairman of the Senate committee, focused his attack almost entirely on the First Lady, although even he stopped short of recommending any legal prosecution against her. The American electorate has shown itself remarkably unmoved by suggestions of impropriety on the part of the president, his wife and many of their associates.

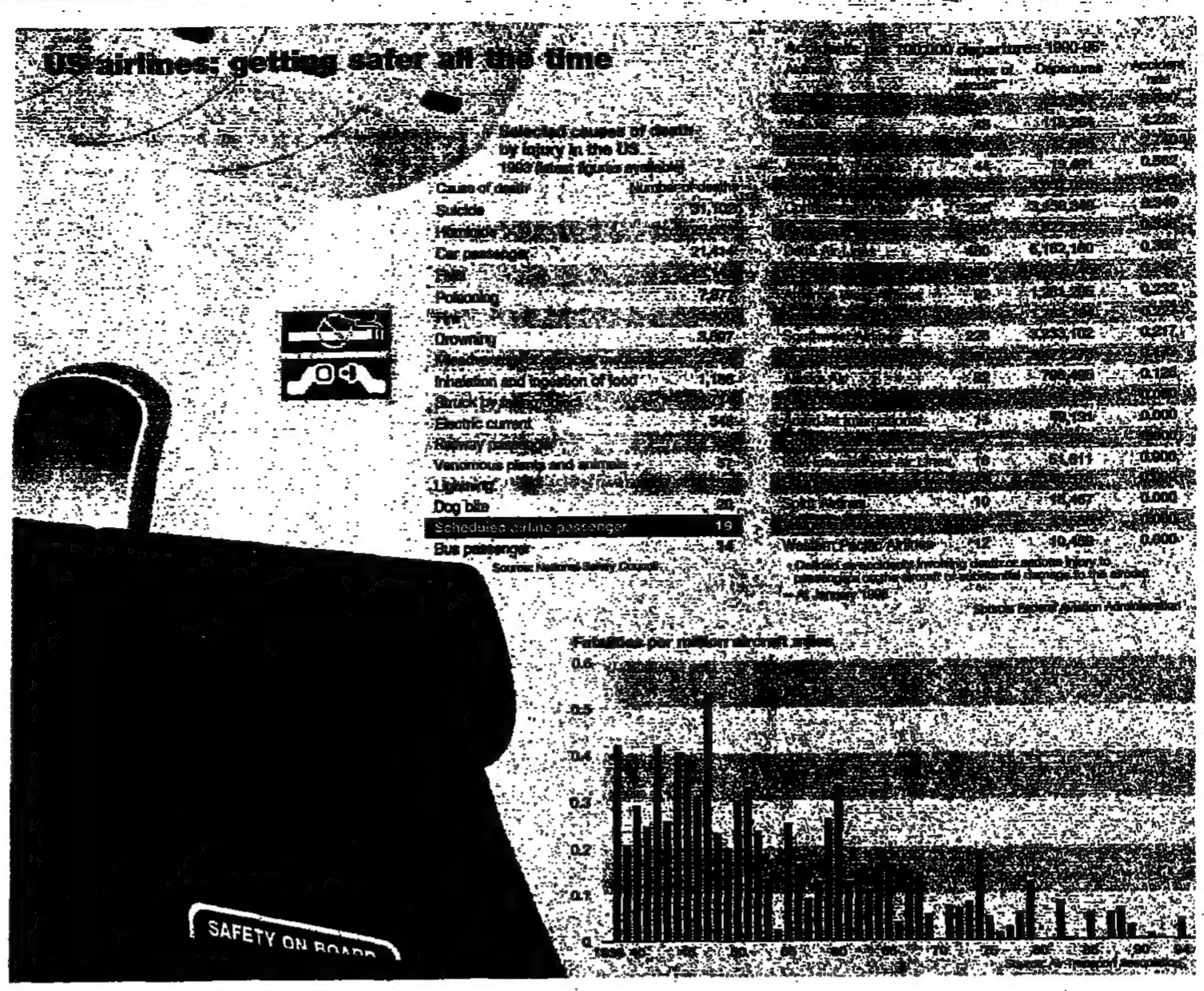
Yet the affair could still blow up in the president's face. He has shown an extraordinary propensity to ride a roller-coaster of fortune, from soaring peaks of popularity to the depths of disillusion. Just when he seems to be way out in front, he is most prone to come off the rails. This could be such a moment. Guilt by association is clearly a danger for the front-runner in the US presidential elections. Throughout the Whitewater saga, the Clintons appear to have been less than wholly open about their former business affairs. The result is that the bad smell has lingered, when it should have been long dispersed.

The most recent allegations, apparently unconnected, about the accumulation of FBI files in the White House on members of the former Republican administration could in the end prove more embarrassing than Whitewater. The head of White House personnel security has been placed on "administrative leave", leaving the way open for an investigation into a rather more clear-cut affair.

Political criticisms of the Clinton administration can certainly be made. Back in 1993 there was an arrogance among the president's staff that could have led to power abuses. In addition, throughout the presidency, the Clintons have shown themselves indecisive: both lawyers, they tended to take a narrow legalistic approach towards criticism, and judicial inquiries. That may be legally correct, but it is bad public relations.

It would be good for the US political system, and the presidency, for the lingering doubts over Whitewater to be cleared up. That is the task of Mr Kenneth Starr, the special counsel appointed by the Justice Department. A Republican with a reputation for fair-mindedness, he is proceeding with due caution.

It would be good for the US electorate to be given ample time to decide on the facts of the case before November. It is more important that justice be done, however long it takes.



No fear of flying

Concerns about the safety standards of low-cost airlines appear to be unfounded, writes Richard Tomkins

It was Southwest Airlines, the archetypal low-cost carrier, that put the fun into flying. With its no-frills services, remorselessly humorous staff and, most of all, its rock-bottom fares, it became the model for scores of imitators after deregulation opened up the US air travel market in 1978.

But the joke has been wearing a bit thin after this week's grounding of ValuJet Airlines, one of the biggest and most successful low-cost operators after Southwest. The grounding follows the crash of a ValuJet aircraft last month in which 110 passengers and crew died, raising the question of whether low-cost carriers have saved money by skimping on safety.

While passengers enjoy the low prices and jokey atmosphere of flying by low-cost carriers in the US, there is always the lurking suspicion that they are taking a higher risk than they would in an aircraft operated by one of the big airlines. You get what you pay for, in safety as in everything else, people think.

Meanwhile the safety of low-cost carriers has become a growing concern for the worldwide airline industry, too: for as deregulation spreads to air travel markets outside the US, more low-cost carriers are springing up, putting established airlines under pressure to cut their own costs in an increasingly competitive market.

According to the Air Transport Association, a US industry body, the idea that deregulation has led to a deterioration in air safety in the US is a myth. "Airline accidents receive enormous attention because they are such rare events," it says.

Far from having worsened since 1978, the association says, the US airline industry's safety record has sharply improved.

Continuing a long-term trend, the average rate of one fatal accident for every 814,000 flights in the 16 years leading up to deregulation fell to one accident for every 1.8m flights in the 16 years after deregulation.

Within those figures, it is less easy to say with certainty which airlines are safer than others. Because crashes are so rare, an individual airline's ranking in the safety league table is drastically altered by a single fatal accident.

But one of the most striking features of the statistics is that, until the ValuJet crash last month, there had only been one fatal accident involving a new entrant to the industry since deregulation: the crash of a Midwest Express Airlines DC-9 in 1985, which killed 31.

In an effort to produce meaningful statistics, safety bodies expand the definition of an accident to include any serious incident, on or off the ground, that hurts or kills a passenger or damages an aircraft. But even here, most low-cost airlines come out with an accident-free record.

Critics of low-cost carriers can point to the fact that the airline with the highest accident rate since 1990 is Tower Air, a low-cost carrier, which had 8.68 accidents for every 100,000 departures.

This makes the airline appear much less safe than others: but the method of calculation paints Tower in an unfavourable light because it had fewer departures than most other carriers.

In fact, Tower has only had two accidents in its 13-year history, neither of them fatal. In one, an engine blade broke off a cargo aircraft while it was on the ground, damaging the aircraft's fuselage; and in the other, an aircraft skidded off the runway after aborting a take-off in bad weather, seriously injuring a flight attendant.

A recent study by the Federal Aviation Administration, the regulator, tried another approach to the problem, adding together the statistics for a group of 14 low-cost carriers since 1990 and comparing them with the figures for the eight big airlines over the same period.

The study came up with a figure of 0.304 accidents per 100,000 departures for the big airlines and 0.418 for the low-cost carriers – a difference that weighs against the low-cost carriers, but which is too small to be statistically significant.

But if safety concerns over low-cost carriers are unfounded, why is there all the fuss over the ValuJet crash? Apart from the fact that it risks becoming a political issue in a US election year, an underlying problem for the airline industry in the US – and everywhere else – is that, even as air travel grows safer, the absolute number of accidents is increasing because the number of flights is growing so rapidly.

Mr Michael Zea, a principal in Mercer Management Consulting's aviation practice in Washington, says the US government worries that the number of accidents will grow to the point where it becomes intolerable to the public.

"So the government is trying to cut the accident rate by preventing the events that lead to an accident rather than waiting for an accident to happen and then trying to analyse what went wrong," Mr Zea says.

This helps to explain Tuesday's announcement of a drastic shake-up in the Federal Aviation Administration. Even before the ValuJet crash, it had become clear that the FAA had failed to adjust to recent changes in the US airline industry.

In an increasingly competitive climate, most small airlines – and a growing proportion of large ones – have been contracting out training, maintenance and other key functions in an effort to cut costs.

The FAA's inspection methods were simply not up to the job of monitoring the complex relationships between airlines and their contractors.

According to Mr David Steamey, vice-president of Aviation Consulting, an airline and airport consultancy, the stepped-up surveillance arrangements announced this week will bear particularly heavily on low-cost airlines.

"Ultimately, they are going to result in a higher cost of doing business for start-ups, and those costs will have to be passed on to the consumer," he says.

Absurdly, the consequence may be more deaths rather than fewer. In the US, more people die on the roads in three months than have died in all US commercial airline accidents since the invention of powered flight. If higher fares divert passengers from low-cost airlines to the roads, the carnage seems unlikely to diminish.

Fallout for the president

For weeks, rescue workers struggled to retrieve the last dismembered body part and twisted metal shard from the Florida Everglades muck where the ValuJet DC-9 crashed in May. All the while, the Federal Aviation Administration insisted the airline was safe to fly.

"If ValuJet was unsafe, we would have grounded it," said Mr Federico Pena, transport secretary and the political master of the FAA, which regulates air travel. Mr David Hinson, the agency's administrator, echoed him: "The airline is safe to fly, otherwise we wouldn't allow it to fly."

Both men have been forced to retract those words, publicly and embarrassingly, after the FAA suddenly discovered "serious deficiencies" in ValuJet's maintenance programme - deficiencies that its own internal reports, widely leaked since the crash, had made obvious months before it. ValuJet has now been grounded and Mr Anthony Broderick, the FAA's top safety official, has effectively been sacked.

With gruesome television images from the Everglades, the accident has become a significant event in the 1996 presidential election campaign. This was inevitable: President Bill Clinton is keen to woo middle-class voters with everything from college tuition tax credits to low-cost air fares and had championed the cause of the start-up airlines formed after deregulation.

His transport department published a report trumpeting the news that deregulation had saved consumers $6.3bn (£4bn) in air fares in just one year. The president took the credit for low-cost carriers; so when ValuJet crashed, he could not avoid the blame.

Industry insiders believe much of that blame is deserved. Serious concerns were raised inside the FAA over the safety of ValuJet, but little was done to address them. Soon the politicians were taking the rap for worrying more about the political cost of air fares than about the safety of passengers.

Now the White House wants to look tough, keen to assuage national anxiety about air travel fed not only by the Everglades crash but by the recent mid-air death of Mr Ron Brown, commerce secretary. So ValuJet aircraft are on the ground and Mr Pena is asking Congress to remove the FAA's responsibility for promoting civil aviation.

If he has his way, the agency will lose its dual mandate of both promoting and regulating civil aviation. In future, it will focus only on safety.

Some in the industry question whether merely removing the conflict of interest in the FAA's mandate will make much difference. They point to persistent serious weaknesses in the agency which a simpler mandate cannot resolve. Recent congressional hearings have revealed its inspectors lack training, its computer systems are flawed, its procurement procedures dangerously cumbersome, and a shortage of staff means paperwork is inspected far more often than actual aircraft. Safety violations either go unnoticed or are insufficiently punished when detected.

Congress returns to the subject again next week when it will hold a series of public hearings on aviation safety. That will inevitably provide an opportunity for further political point-scoring and could lead to the sacrifice of more senior officials to the prevailing national mood.

Patti Waldmeir

· OBSERVER ·

A fishy Spanish tale

■ A global sturgeon has just wolfed down another Spanish sardine.

The high-powered, low-profiled 350-year-old Dutch merchant bank MeesPierson – Adam Smith dedicated the fourth edition of his Wealth of Nations to one of its founders, Henry Hope – yesterday bought 30 per cent of Madrid top people's broker, Beta Capital.

An ABN-Amro subsidiary, MeesPierson hasn't said what it paid, but it intends steering Beta's well-heeled clients towards European investments.

This little episode follows a similar event back in February, when Merrill Lynch acquired FG, Spain's leading independent broking house. It's too early to spot a trend, and in any case, Spanish business gossip is much more interested in the sellers than the buyers. How come?

It's because of where they're headed. Francisco González, the broker who created FG (and named the firm after his initials), was last month appointed chairman of Argentaria, the partially privatised state-banking group, by the new centre-right government.

And two weeks ago Cesáreo Alierta, Beta's founder and chief executive, was appointed chairman of Tabacalera, the state-controlled tobacco manufacturer and distributor.

In the new Spain of Popular Party leader José María Aznar, selling your broking firm seems an ideal short cut to being pulled into running a public company.

Who knows – maybe their ability to build and sell businesses will come in handy in the state sector.

Wake up call

■ There's something about the little north German town of Gütersloh. It's a rather sleepy place, which may explain why Bertelsmann, the giant media and entertainments group, sometimes seems a bit slow off the mark in the great Euromedia game.

Yesterday, Helmut Runde, the group's affable head of public relations and communications, was left speechless when he was asked to react to the resignation of Michel Delloye, chief executive of Compagnie Luxembourgeoise Télédiffusion. "Hmm... Is that so? Never heard about it. Never knew a thing about it," he said.

That is rather strange, given that CLT and Ufa, the television division of Bertelsmann, recently merged – and that Delloye was one of the main movers and shakers behind the deal. Odder still is that Ufa's people, based in Hamburg, said Delloye's resignation was not news to them. In fact, "we had been expecting it for some time", says the irrepressibly optimistic Nikolaus Fornanik, spokesman for Ufa. It will make not a jot of difference, he adds.

With group net profits of DM817m last year, Bertelsmann may want to spend a sliver more on keeping its people in touch – or indeed, on keeping its people.

Papal bull

■ Observer is happy to report that the Vatican continues to tread the path of fiscal virtue, having turned in an operating profit for the third consecutive year.

Operating profits were L2.64bn ($1.7m) from 49 divisions; in 1994 they were L671m ($435,000). It's been a long haul – 23 lean years, in fact, before the turnround.

As usual, however, the balance sheet was dragged down by the media division. Poor old L'Osservatore Romano, the official Vatican newspaper, and the global shortwave service, Vatican Radio, turned in their normal lacklustre performance.

So where did the profits come from? The coffers were fattened by an intensive effort to commercialise Pope John Paul II: a recording of him saying the rosary apparently did very well.

Deadly serious

■ Thomas Krens, the ambitious director of the Solomon R Guggenheim Foundation, has a somewhat unusual approach to the acquisition of art.

The foundation – which oversees two museums in New York and the Peggy Guggenheim Collection in Venice – will be opening a futuristic $1.5bn gallery of contemporary art in Bilbao, Spain, next year. It's designed by Frank O Gehry and partly inspired by Fritz Lang's film *Metropolis*.

So how will Krens fill this remarkable titanium-clad museum? He was upbeat in London yesterday when asked just that question. "We have a terrific group of trustees," he said. "I mean if they were to pledge their collections and drop dead tomorrow I could open five museums."

Load of old plonk

■ First there was his suggestion that surging food prices be tackled by printing more lower denomination bills and coins. It hardly set the world alight, but maybe this one will.

Thailand's prime minister, Banharn Silpa-archa, has now come up with another tasty economic remedy. His novel idea is that Thais could help combat the country's growing trade deficit by buying cheaper wine. "Those who drink a B50,000 ($2,000) bottle should shift to a B500 ($20) bottle to reduce the trade gap."

Phew, it's heady stuff, all this economic theorising.

Financial Times

100 years ago

Great India Peninsula Rly
The ninety-third half-yearly general meeting of the company was held yesterday in Old Broad-street, City of London. Sir Andrew W. Scobie M.P. (the chairman) said that in September last year there was a great interruption to traffic on their south-east line caused by the great cyclonic storm. Three important bridges were broken down, and the flood was so great for many miles that hardly a culvert escaped injury. For two months that branch of the line was practically closed to traffic.

50 years ago

Suez Canal Pays Interest
The Suez Canal Company announces that payment of statutory interest on the Capital Shares for the first half of 1946 and arrears of interest for the period July 1940 to December 1945 will be paid on the basis of 3.8575 piastres to the gold franc. The company appealed recently against the judgment of the Cairo court condemning it to pay on the basis of the Poincaré franc maturities until June 1940, and at the Cairo free market gold price thereafter. The board has decided not to recommend a dividend for the past year, as originally intended.

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FINANCIAL TIMES
Thursday June 20 1996

Court setback for $5.5bn Malaysian dam project

By James Kynge in Singapore and Stefan Wagstyl in London

A Malaysian court yesterday ruled that the country's government had violated environment laws in approving the controversial $5.5bn Bakun dam and hydroelectric scheme in the jungles of Borneo.

The ruling creates doubt over the project's progress just six days after a consortium led by ABB, the Swiss-Swedish group, and Brazil's CBPO won the main contract to build the dam, which is expected to be nearly twice as high as Egypt's Aswan dam and require the resettlement of about 9,000 people.

However, a cancellation of the project appears unlikely because Dr Mahathir Mohamed, Malaysia's prime minister, has thrown his support behind the ambitious scheme. Government lawyers said they would appeal against the ruling given by the Kuala Lumpur High Court, which found that the views of local tribes were not represented in an environmental impact study.

ABB yesterday did not expect any delays in the project's implementation. The company said it had been informed by Ekran, its Malaysian partner in the development, that the contract was not affected by the ruling as it related to procedures taken to ascertain the environmental impact of the dam's construction. "We have been informed [by Ekran] that the ruling concerns procedural matters concerning the transfer of 'power of authority' from the Kuala Lumpur department of the environment to the corresponding authority in Sarawak," ABB said. "ABB's customer, Ekran, does not expect any delay of the project."

Ekran declined to comment on the decision but lawyers expected it to appeal to a higher court. One possible outcome of yesterday's development may be a second environmental study.

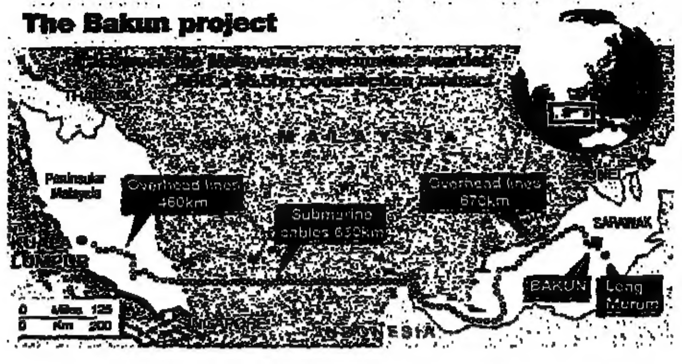
In his ruling, Mr James Foong, the judge, found several irregularities in officials' assessment of the environmental impact of building the dam.

Mr Foong said that the views of the plaintiffs, three tribesmen from the area where the dam is due to be built, should have been included in an official environmental impact assessment.

The judge also said the science, technology and environment ministry was wrong to delegate the job of writing the environmental study to the Sarawak state government, a major shareholder in the Bakun project and a big potential economic beneficiary of the scheme.

The decision is an embarrassment for Dr Mahathir, his second in as many months. Last month, another pet project, the state-owned Perwaja Steel, was declared insolvent and an investigation has been launched into alleged corruption by the company's management.

The Bakun project



World stocks, Page 34

Bonn plans to crack down on growing corruption threat

By Michael Lindemann in Bonn

The German government yesterday proposed that police should have the power to bug private homes as part of a fresh campaign to combat what it regards as a growing threat from corruption, money laundering and other crime.

Mr Manfred Kanther, interior minister, said the proposals underlined the government's resolve to tackle all forms of corruption, and especially organised crime. "There are signs that the number of cases is increasing," he said.

The BKA, the federal agency which compiles nationwide criminal statistics, said there were 8,447 cases last year in which public officials committed crimes, ranging from accepting bribes to passing on official secrets. The number of cases had risen from 7,126 in 1994.

The proposed measures come after a series of corruption cases at leading German companies such as Thyssen and Mannesmann. Public attention was also focused on the problem after it emerged last week that Mr Erich Riedl, a former state secretary in the economics ministry, was being investigated for allegedly accepting a DM500,000 ($330,000) bribe. Mr Riedl, who has denied the charges, was alleged to have accepted the money to facilitate the export in 1991 of 36 tanks to Saudi Arabia, where German arms exports need special approval.

In response to the increase in cases of public officials accepting bribes, the interior ministry said it wanted to tighten the legislation dealing with such cases and introduce prison sentences of up to 10 years for such offences.

The government also wants to change article 10 of the constitution, allowing the police to tap phones. Other proposed measures would permit the police to bug households in cases where it suspected particularly serious crimes were being committed.

The government also said two-thirds of the organised crime in Germany was committed by foreigners of 87 different nationalities. That compares with crime statistics altogether which show only a third of crimes were committed by foreigners, the ministry said.

Mexico to repay $4.7bn of US loan early

Continued from Page 1

finance ministry. The $3bn loan will take the form of a floating rate note issue carrying interest of 2.125 percentage points above London interbank offered rates and a five-year maturity, with two years of grace before the first capital repayments are due. The ministry said reduced interest payments would save the country $50m this year.

Mexico was unable to secure a loan from commercial banks early last year. Although the country's cost of funding has come down considerably since it returned to the markets a year ago, the banks have still demanded access to oil revenues in the event of default.

In the event of non-payment of the US loan, the US Treasury had rights to oil export revenues which flow through the Federal Reserve Bank of New York. Mr Werner said about 30 per cent of the revenue flow – which amounted to more than $7bn in 1995 – would now back the new bank loan in the event of default.

The payment to the US will also be financed by $920m from a bond issue in Japan and $780m of US Treasury bonds recovered after a 30-year bond was issued in exchange for Brady Bonds used as collateral in April.

Outline of Alitalia restructure plan agreed with unions

By Andrew Hill in Milan

Unions at Alitalia yesterday agreed to a radical restructuring of the Italian state airline in return for a stake of up to 30 per cent in the company and three seats on the board.

Iri, the heavily indebted Italian state holding company which owns 90 per cent of Alitalia, is expected to meet other shareholders on June 28 to approve an immediate L1,500bn ($976m) capital increase for the airline.

Iri said this month that approval of the capital increase – the first half of a L3,000bn cash injection – depended on an agreement between unions and management.

The outline accord is an innovation for Italy, which is more used to bruising confrontation in the airline sector. Unions said the deal was modelled on recent employee buy-ins at heavily unionised US carriers such as United Airlines.

Mr Bruno Loy, national secretary of CGIL, Italy's largest union, said the agreement "unblocked the road to reorganisation of the company". Mr Domenico Cempella, Alitalia's chief executive, said it was "not the end of the problems, but the prelude to what would certainly be a tricky task of catching up [with competitors]".

Mr Cempella's restructuring plan involves 2,800 redundancies over the next five years, offset by hiring of staff on more competitive contracts.

Only one of the airline's 10 unions – Sulta, which represents some cabin crew – opposed the plan. It said the proposed formation of subsidiaries for long-haul and medium-range services would lead to the "destruction of the category [of cabin crew]". Sulta said it might consider industrial action.

The sacrifice of salaries and jobs would be compensated with a stake of between 20 and 30 per cent for employees, three seats on the main board, and one seat on the internal audit committee. The shares would be divided equally among pilots, cabin crew and ground staff and held through a special fund for at least three years.

The comparative ease with which an accord was reached seemed to confirm some industry observers' suspicions that the broad lines for a deal already had been agreed.

It is still unclear how Iri intends to raise the L1,500bn required for an initial capital increase at Alitalia, which is quoted on the Milan stock exchange, and whether such an operation will be approved by the European Commission. Iri would like outside investors to participate in a second L1,500bn capital increase next year.

Italian mini-budget, Page 2; See Lex; World Stocks, Page 34

THE LEX COLUMN

Sharing Alitalia

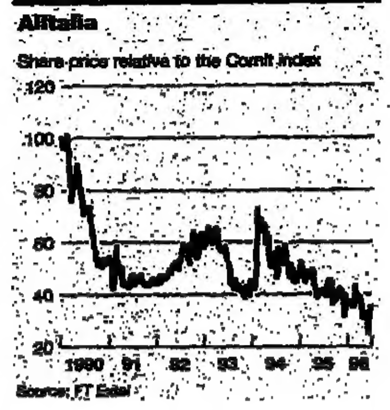
Alitalia's plan to give up to 30 per cent of its stock to employees in a restructuring is the latest attempt to get the struggling Italian airline back on its feet – and also the best hope to date.

The carrot of employee share ownership in return for accepting cost-cutting measures has been used with notable success by US airlines such as United. But such deals sparked criticism that existing shareholders paid the price for the over-generous terms enjoyed by employees. Since only 10 per cent of Alitalia's stock is currently traded, that criticism is less valid. But one could argue that the Italian taxpayer will lose out if the government gives away stock. In reality, privatising the company would be virtually impossible given the company's current condition, and dilution of the government's holding as part of a drastic overhaul is vastly preferable to endless capital injections.

That assumes this latest deal with the unions will actually fix things. In fact, the wording of the agreement leaves some scope for nit-picking when it comes to negotiating the implementation of cost-cutting measures. Still, there is at last a sense that goodwill has been established.

Of course, the airline still has other problems. It is suffering from European deregulation, with its once lucrative Milan/Rome route under increasing pressure. And it will struggle to find the investment needed to upgrade its fleet of ageing aircraft. Worse still, a recent flurry of bad news from European airlines such as Lufthansa suggests the industry's upturn may not have much further to run.

FT-SE Eurotrack 200: 1725.6 (+0.2)



European television

Given the complexity of the chess game being fought for control of Europe's television screens, it is impossible to predict with certainty who will gain from the departure of Mr Michel Delloye, chief executive of CLT. But the list of potential beneficiaries could be quite extensive.

Start with Canal Plus, which dominates pay-television in France. With Mr Delloye gone, analysts are speculating that CLT will think again about competing head-on with Canal Plus. An outbreak of peace would also be good news for Bertelsmann, whose TV strategy has been thrown into confusion by the rivalry between CLT and Canal Plus; the German media giant has been simultaneously trying to merge its TV interests with CLT and link up with Canal Plus to offer pay-TV in Germany.

The two other original partners of Bertelsmann's pay-TV alliance – France's Havas and Mr Rupert Murdoch's BSkyB – could also benefit. In the case of BSkyB, which recently abandoned the alliance because it was making little progress in getting its service off the ground, an end to infighting could tempt it back into Bertelsmann's pact.

That said, Bertelsmann has yet to demonstrate a firm grip on its TV strategy. Mr Delloye's criticisms of the management structure for CLT's and Bertelsmann's merged TV operations have a ring of truth. Two general managers answerable to two shareholders, each with a 50 per cent stake, is hardly a recipe for clear-cut decision-making.

Hyder

After United Utilities and Thames Water, is Hyder the latest British water company to recant past diversifications, promising instead to stick to its knitting? Only up to a point. Pulling out of power generation and property development is a good start; ditching cable television and electrical contracting – both likely – would be even better. Even so, the group remains firmly wedded to grand infrastructure projects like its 7 per cent stake in a Melbourne motorway and $50m investment in the Asian Infrastructure Fund. Now, under the Private Finance Initiative, it is keen to take on British motorways too. None of these ventures is obviously stupid, but Hyder shareholders should not kid themselves they are investing in a tightly focused utility business.

Still, Hyder's boldest diversification – buying South Wales Electricity – is going pretty well. The £46m ($70.38m) of annual benefits promised from the merger may look modest beside United Utilities' £140m; but United is much bigger and its figure, more than Hyder's, probably includes savings that would have happened anyway.

The message of both companies' cost-cutting promises is that multi-utility combinations can produce real benefits – almost certainly more than a joint venture would. Even assuming the regulator claws back savings for customers after the next price review, the Hyder merger is likely to produce benefits with a net present value of up to £200m - well worthwhile in a £900m deal. The lesson where fresh multi-utilities are planned is that shareholders should worry less about their inherent logic and more that bidders risk paying too much to create them.

UK holidays

The UK package holiday industry is a constant source of wonder. Although three tour operators control nearly two-thirds of the market, they fight each other viciously for a place in the sun. During 1995 the three leaders – Thomson, Airtours and First Choice – squandered profits of around £65m ($99.45m) in a summer price war that sent lucky punters off to Benidorm for £99.

This year, we are told, it will all be different. Airtours has cut its summer capacity by 13 per cent – a move broadly echoed by rivals. With the industry down to 8.5m holidays from 10m last year, there should be far less discounting during the peak season and fatter margins all round. Analysts certainly expect Airtours to increase profits by around 20 per cent, while First Choice should bounce back from near break-even to profits of £20m or so.

How long this peace lasts remains to be seen. The big three swear they are planning only minimal capacity increases for 1997, but all of them have been losing market share to the smaller operators. And since British holidaymakers have learned to hold off to the last minute until booking, it is still possible one of them will panic and break ranks.

At least Airtours has been trying hard to get away from its core UK business. Almost half of this year's profits should come from Scandinavia, Canada, cruise ships and hotels. Moreover, it can fill its airline seats in-house, unlike First Choice. Airtours' other advantage is that it has a big brother in Carnival, the largest US cruise line, which owns a 30 per cent stake. The next time the UK market suffers a setback, Carnival will probably be there to provide extra finance. Longer term, the Americans may even snap up the rest of Airtours.

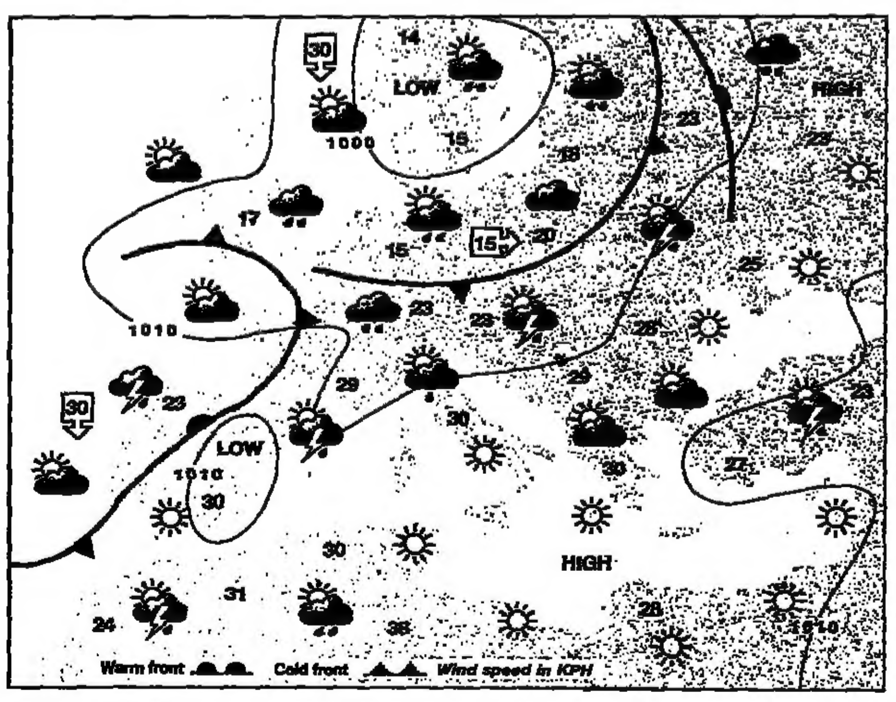
FT WEATHER GUIDE

Europe today

Scandinavia will remain cloudy with rain expected. Ireland will have sunny periods. Britain will be mostly cloudy with occasional drizzle in the east. A low west of France will produce rain over southern England, Belgium, north-east France and southern Germany. The Netherlands and northern Germany will be cool and partly cloudy with patches of rain at first. The Alps will be cloudy with thundery rain. There will be heavy thunder showers over south-west France and northern Spain. Southern Spain and Portugal, as well as Italy and the Balkans will be mostly sunny and warm.

Five-day forecast

Conditions will improve slightly over Scandinavia. The British Isles will have sunshine and showers. Central Europe will be unsettled with rain and thunderstorms which will gradually shift eastwards. A ridge of high pressure will promote sunny periods over south-west and south-east Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	thund	28
Algiers	fair	30
Amsterdam	fair	14
Athens	sun	30
Atlanta	thund	33
B. Aires	fair	12
B.ham	drzzl	16
Bangkok	thund	35
Barcelona	shower	26
Beijing	fair	30
Belfast	fair	15
Belgrade	fair	29
Berlin	fair	16
Bermuda	fair	28
Bogota	drzzl	18
Bombay	rain	30
Brussels	rain	17
Budapest	fair	27
C.hagen	rain	15
Cairo	fair	33
Cape Town	fair	19
Caracas	thund	31
Cardiff	rain	17
Casablanca	cloudy	23
Chicago	fair	31
Cologne	rain	18
Dakar	sun	31
Dallas	sun	37
Delhi	thund	36
Dubai	sun	41
Dublin	fair	16
Dubrovnik	sun	26
Edinburgh	cloudy	15
Faro	sun	26
Frankfurt	rain	21
Geneva	shower	26
Gibraltar	sun	26
Glasgow	cloudy	15
Hamburg	fair	14
Helsinki	shower	17
Hong Kong	shower	31
Honolulu	shower	31
Istanbul	sun	28
Jakarta	fair	32
Jersey	cloudy	16
Karachi	fair	40
Kuwait	sun	45
L. Angeles	sun	26
Las Palmas	cloudy	26
Lima	cloudy	17
Lisbon	sun	22
London	rain	17
Lux.bourg	rain	18
Lyon	shower	27
Madeira	cloudy	23
Madrid	fair	29
Majorca	sun	29
Malta	sun	30
Manchester	drzzl	14
Manila	thund	36
Melbourne	cloudy	18
Mexico City	thund	28
Miami	thund	32
Milan	shower	27
Montreal	rain	23
Moscow	rain	22
Munich	rain	23
Nairobi	cloudy	25
Naples	fair	30
Nassau	thund	31
New York	thund	31
Nice	fair	27
Nicosia	sun	32
Oslo	rain	17
Paris	cloudy	22
Perth	shower	18
Prague	fair	21
Rangoon	cloudy	27
Reykjavik	sun	16
Rio	cloudy	25
Rome	sun	28
S. Frsco	fair	19
Seoul	rain	25
Singapore	cloudy	32
Stockholm	shower	16
Strasbourg	rain	22
Sydney	fair	20
Tangier	fair	26
Tel Aviv	fair	29
Tokyo	drzzl	27
Toronto	shower	27
Vancouver	fair	21
Venice	fair	25
Vienna	fair	26
Warsaw	cloudy	19
Washington	thund	33
Wellington	rain	11
Winnipeg	fair	26
Zurich	rain	22